



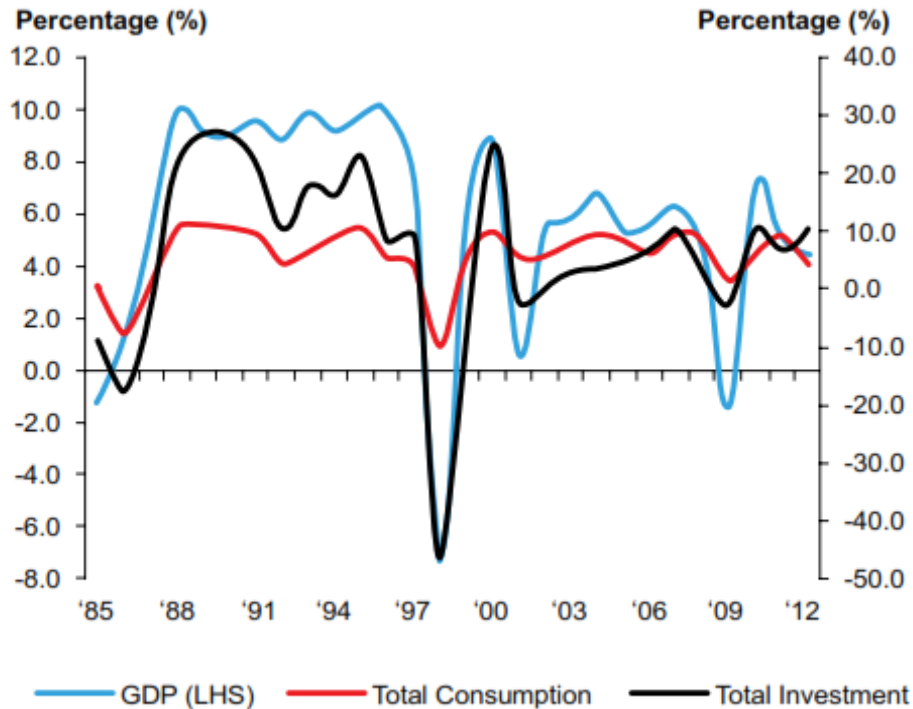
DOING BUSINESS IN MALAYSIA

WHY MALAYSIA

- Economic strength
- Supportive government policies
- An educated workforce
- Developed infrastructure
- A vibrant business environment
- Quality of life

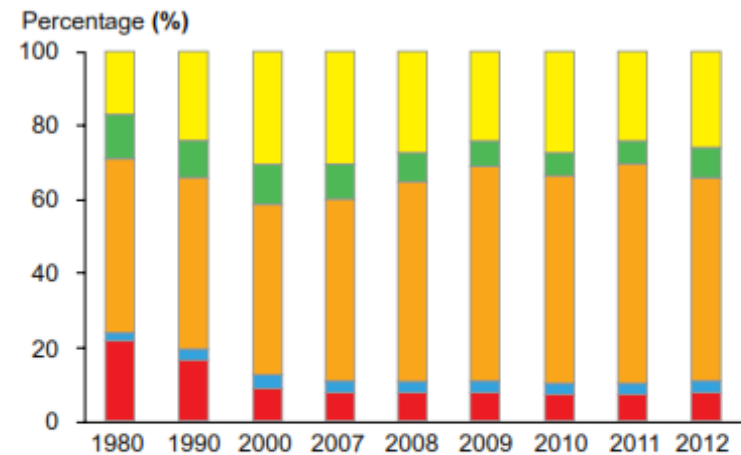
MALAYSIA ECONOMY

GDP, CONSUMPTION AND INVESTMENT, 1985-2012
(Annual Growth Rate)



Data for 2011 is preliminary & 2012 is forecast

STRUCTURE OF PRODUCTION, 1980-2012
(% of GDP)



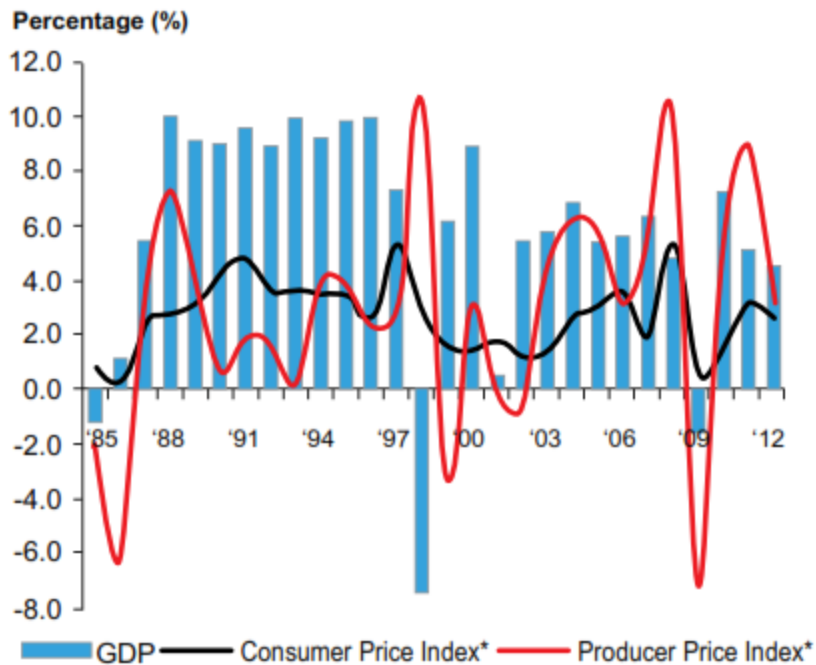
■ Agriculture	21.0	16.3	8.6	7.9	7.8	7.9	7.6	7.7	7.6
■ Mining	12.1	9.4	10.6	11.9	11.1	10.5	9.8	8.8	8.5
■ Manufacturing	17.2	24.6	30.9	27.2	26.1	24.2	25.2	25.1	25.0
■ Construction	2.7	3.5	3.9	2.9	2.8	3.1	3.0	3.0	3.1
■ Services	43.1	46.8	49.3	49.2	50.9	53.2	53.2	54.2	54.6

Data for 2011 is preliminary & 2012 is forecast

1/: Excludes import duties

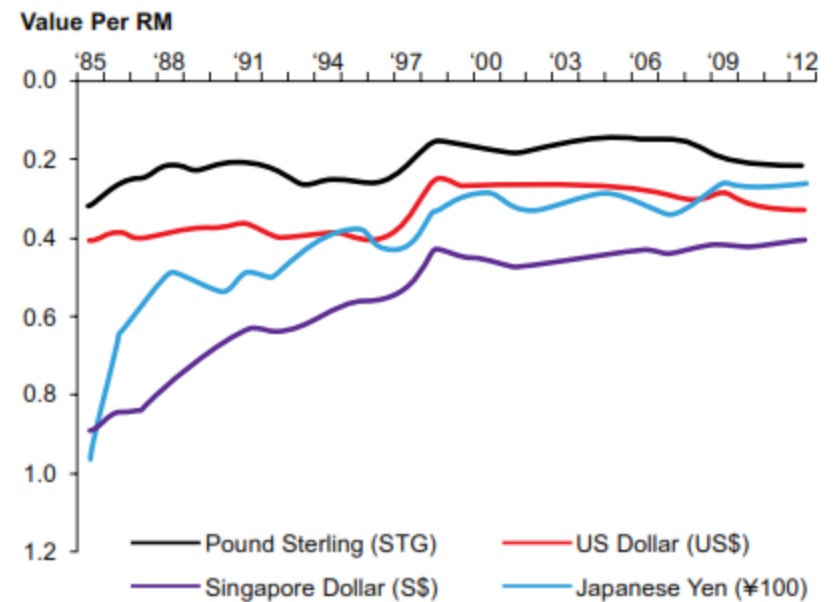
MALAYSIA ECONOMY

GDP, CPI AND PPI, 1985-2012
(Annual Growth Rate)



Data for 2011 is preliminary & 2012 is forecast * Data as at Jan-Apr 2012

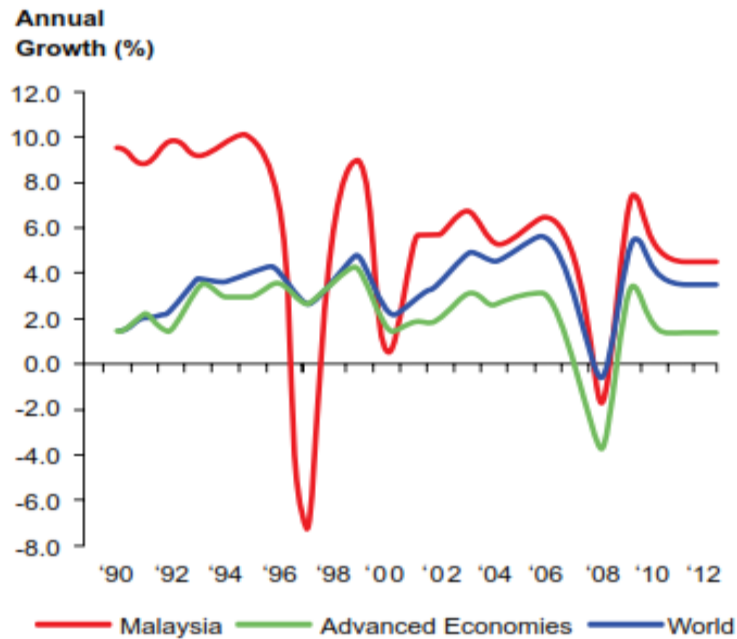
MOVEMENT OF EXCHANGE RATES AGAINST THE RINGGIT
1985-2012



* Data for 2012 as at Jan-May 2012

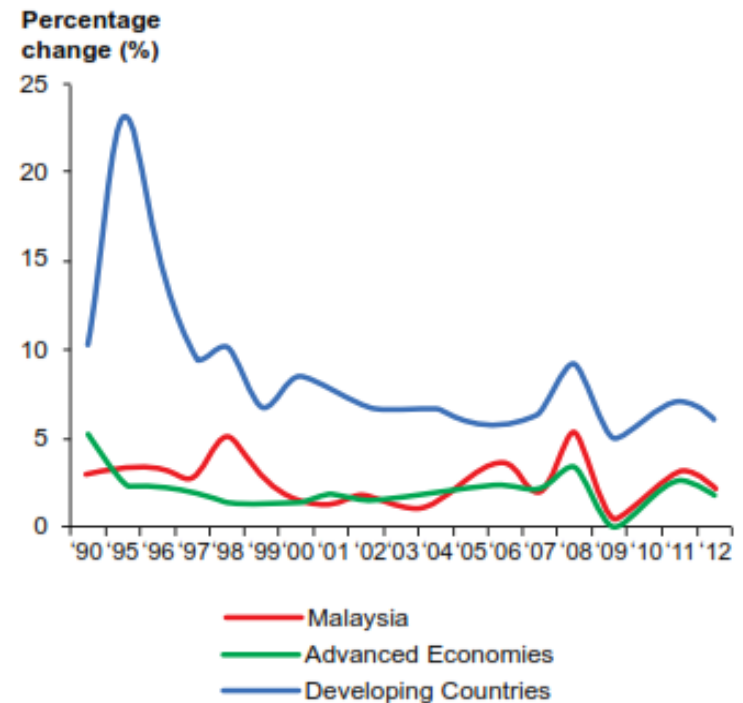
MALAYSIA ECONOMY

**REAL GDP GROWTH
1990-2012**



Data for 2011 is preliminary & 2012 is forecast

**INFLATION RATE
1990-2012**



Data for 2012 is forecast

INVESTMENT CLIMATE



- To encourage foreign investments, Malaysia offers many incentives and other advantages to foreign investors.
- Malaysia has entered into double taxation agreements with more than 60 countries.
- Malaysia has investment guarantee agreements with most major industrialised countries. These agreements generally guarantee that, except for public purposes, Malaysia will not expropriate or nationalise property without prompt and adequate compensation. These agreements allow the free remittance and repatriation of capital.
- According to the World Bank Report, Malaysia is ranked 23 rd out of 183 countries for ease of doing business.

DOUBLE TAXATION AGREEMENTS



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

* Limited agreement

THE TENTH MALAYSIA PLAN



- The 10MP has been formulated with various new approaches towards becoming a high income and high productivity economy, in line with the New Economic Model.
- During the 10MP, the gross national income per capita is targeted to increase to US\$ 12,140 in 2015. This requires achieving real GDP growth of 6 per cent per annum.
- Growth will be led by the services and manufacturing sectors, in addition to revitalising the agriculture sector towards higher value added as well as the adoption of ICT, biotechnology and other relevant technologies.

NATIONAL KEY ECONOMIC AREAS



- Oil and gas
- Palm oil and related products
- Financial services
- Wholesale and retail
- Tourism
- Information and communications technology (ICT)
- Education services
- Electrical and electronic
- Business services
- Private healthcare
- Agriculture
- Greater Kuala Lumpur

ACTS FOR INVESTMENT INCENTIVES



Tax incentives are provided under several Acts :

- The Promotion of Investments Act 1986
- Customs Act 1967
- Real Property Gains Tax Act 1976
- Service Tax Act 1975
- Sales Tax Act 1972
- Excise Act 1976
- Free Zones Act 1990
- The Income Tax Act 1967

MAIN INVESTMENT INCENTIVES



The main tax incentives are as follows :

- Pioneer status
- Investment tax allowance
- Reinvestment allowance
- Industrial building allowance
- Deduction for promotion of exports
- Operational headquarters
- Regional distribution centres

INCENTIVES FOR EXPORTS

The tax incentives for exports are as follows :

- Double deduction for the promotion of exports
- Single deduction for the promotion of exports
- Double deduction on export credit insurance premiums
- Special industrial building allowance for warehouses
- Double deduction on freight charges
- Double deduction for implementation of RosettaNet
- Double deduction for the promotion of Malaysian brand names



TARIFF INVESTMENT INCENTIVES

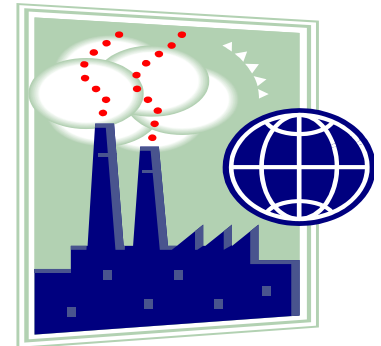
Tariff related incentives are as follows :

- Exemption from import duty on raw materials/ components
- Incentive for outsourcing manufacturing activities
- Exemption from import duty and sales tax on machinery and equipment
- Exemption from import duty and sales tax on spares and consumables
- Drawback of import duty, sales tax and excise duty
- Sales tax exemption
- Import duty exemption on imported medical devices for purpose of kitting



INCENTIVES – MANUFACTURING

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



INCENTIVES – AGRICULTURE

- Pioneer status
- Investment tax allowance
- Agricultural allowance
- Export credit refinancing facility
- Double deduction for promotion of exports
- Double deduction of export credit insurance premium
- Industrial building allowance
- Reinvestment allowance
- Incentives for research and development
- Incentives for food production
- Incentives for existing company which reinvests
- Incentives for companies providing cold chain facilities and services for food products
- Incentives for modernising chicken and duck rearing
- Accelerated capital allowance
- Tax exemption on the value of increased exports
- Double deduction for expenses to obtain “Halal” certification
- Double deduction on freight charges for export of rattan and wood-based products



INCENTIVES – TOURISM

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



INCENTIVES – ENVIRONMENTAL

- Incentives for forest plantation projects
- Incentives for energy conservation
- Incentives for waste recycling activities
- Incentives for the use of renewable energy resources
- Incentives for the storage, treatment and disposal of toxic and hazardous wastes
- Additional incentives for environmental management
 - Accelerated capital allowance
 - Accelerated capital allowance for equipment used for the generation of renewable energy for own consumption



INCENTIVES – SERVICES SECTOR



- International Procurement Centres (IPC)
- Regional Distribution Centres (RDC)
- Operational Headquarters (OHQs)
- Research & Development
- Integrated Market Support Services
- Integrated Logistics Support Services
- Cold Chain Facilities
- Central Utility Facilities
- Industrial Training
- Environmental Management



FORMS OF BUSINESS ENTITY



- Limited companies

Most businesses in Malaysia are registered as limited companies and are regulated by The Companies Act 1965.

There are three types of companies - limited by shares, limited by guarantee and unlimited companies.

- Branch of a foreign company

A branch of a foreign company needs to register itself with the Companies Commission of Malaysia.

- Sole proprietorships

- Partnerships

- Representative offices

- Malaysian employment is governed by The Employment Act 1955 which regulates the minimum terms and conditions for services earning RM 1,500 and below per month.
- The act also provides for payment of compensation covered by The Employees Social Security Act 1969 for injuries caused by accidents arising from employment.
- Foreigners are encouraged to take up employment where there is a shortage of suitably qualified and trained Malaysians.
- Key post holder employment passes will be issued on a 5-year renewable basis with multiple entry visas.

The main legislation that govern employment in Malaysia are :

- Employment Act 1955
- Industrial Relations Act 1967
- Trade Unions Act 1959



The other legislation are :

- Employees Provident Fund Act 1991
- Employees' Social Security Act 1969
- Workmen's Compensation Act 1952
- Workers' Minimum Standards of Housing & Amenities Act 1990
- Wages Councils Act 1947
- Children and Young Persons (Employment) Act 1966
- Occupational Safety and Health Act 1994
- Pembangunan Sumber Manusia Berhad Act 2001

- Malaysia taxation is imposed on income accruing in or derived from Malaysia.
- Malaysia's taxes are also assessed on a current year basis and are regulated by a self-assessment system for corporate and individual tax payers.
- The Malaysian taxation system consists of direct and indirect imposition of taxes.

Direct Taxes	Indirect Taxes
Income Tax	Excise Duty
Real Property Gains Tax	Import & Export Duty
Petroleum Income tax	Sales Tax
Stamp Duty	Service Tax

CORPORATE TAXATION



- All companies, whether resident or not resident in Malaysia are taxed at the tax rate of 25% on all income or profits derived from Malaysia.
- A company is considered a resident in Malaysia if the control and management of its affairs are exercised in Malaysia
- However, effective from Year of Assessment 2004, all SMEs ie Small Medium Enterprises companies having paid-up capital of less than RM 2.5 million, are taxed at preferential rate of 20% on their first RM 500,000 chargeable income. The remaining taxable income is taxed at 25%.
- Companies carrying on petroleum upstream operations are subject to a Petroleum Income Tax of 38%.

PERSONAL TAXATION



- Resident individuals are subject to tax at graduated tax rates (from 0% to 28%) after the deduction of personal reliefs.
- Non-resident individuals are taxed on income derived from Malaysia at a flat rate of 28% with no personal reliefs given.
- The rate of tax depends on the individual's resident status, which is determined by the duration of his stay in Malaysia.
- Generally, an individual who is in Malaysia for at least 182 days in a calendar year is regarded as a tax resident.

REAL PROPERTY GAINS TAX



- Real property gains tax is charged on chargeable 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.
- Effective from 1 January 2010, gains from the disposal of real property shall be taxed at a fixed rate of 5%. The following exemptions apply :
 - i exemption up to RM10,000 or 10% of the gains or whichever is higher be given to individuals
 - ii existing exemptions under the Real Property Gains Tax Act 1976 are retained :
 - a gifts between parent and child, husband and wife, grandparent and grandchild
 - b disposal of a residential property once in a lifetime for an individual who is a citizen or permanent resident of Malaysia

WITHHOLDING TAX



Withholding tax is required to be withheld and remitted to the Inland Revenue Board within 30 days after payment crediting payment to a non-resident person.

Withholding tax is 10% on special classes of income such as :

- use of property or rights, installation of or operation of any plant, machinery or other apparatus
- technical advice, assistance or services rendered in connection with technical management or administration

With effect from 21 September 2002, no withholding tax should be applicable for income received in respect of the above services rendered or performed outside Malaysia.

WITHHOLDING TAX

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

Types	Rates
Interest	15 %
Royalties	10 %
Remuneration of public entertainer	15 %
Payments to contractors, consultants or professionals for commissions, guarantee fees and introducer's fees	10 %
Rent or other payments made under any agreement or arrangement for the use of any moveable property	10 %

ACCOUNTING & REPORTING



Accounts of companies incorporated under The Companies Act 1965 are required to be kept in a manner that will sufficiently explain its transactions and facilitate audit.

The provisions relating thereto include :

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

FINANCIAL REPORTING



- The Financial Reporting Foundation (FRF) is established under the Financial Reporting Act 1997, and together with the Malaysian Accounting Standards Board (MASB), make up the new framework for financial reporting in Malaysia.
- The MASB uses the International Financial Reporting Standards (IFRS) as a basis for most of its standards.
- All financial statements prepared in pursuant to any law administered by the Securities Commission, the Central Bank of Malaysia and the Companies Commission of Malaysia will have to comply with MASB-approved accounting standards, which have the force of law.

ACCOUNTING STANDARDS



Recognising that companies have different information needs, MASB announced that there are now 2 sets of accounting standards. The 2 sets of accounting standards are :

- Financial Reporting Standards (FRS) which are applicable for public listed companies, their subsidiaries, associates, or companies jointly controlled by them.
- Private Entity Reporting Standard (PERS) for private entities. This move would reduce the burden of small and medium sized entities in complying with financial reporting standards. Hence, private entities now have the option of applying the full set of FRS or PERS in its entirety.

THANK YOU

