2010/2011
MALAYSIAN
TAX AND BUSINESS BOOKLET

A quick reference guide outlining Malaysian
tax legislation and other business information

The information provided in this booklet is based on taxation laws and other legislation, as well as current practices, including legislative proposals and measures contained in the 2011 Malaysian Budget announced on 15 October 2010.
This booklet incorporates in *coloured italics* the 2011 Malaysian Budget proposals announced on 15 October 2010. These proposals will not become law until their enactment which is expected to be in early 2011 and may be amended in the course of its passage through Parliament.

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

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

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Printed in Malaysia by SP-Muda Printing Sdn Bhd. Tel: 03-62735893, 62742463
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<td>100</td>
</tr>
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<td>100</td>
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<td>100</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
INCOME TAX

Scope of taxation
Income tax in Malaysia is imposed on income accruing in or derived from Malaysia with the following exception:

- A resident company carrying on a business of air/sea transport, banking or insurance is assessable on a world income scope. However, with effect from (wef) 1 January 2003, income attributable to an Labuan business activity of the branch or subsidiary of a Malaysian bank in Labuan is not subject to tax under the Income Tax Act 1967 (ITA) but is subject to the provisions of the Labuan Business Activity Tax Act 1990. From year of assessment 2008 (under the ITA), a Labuan company can make an irrevocable election to be taxed under the ITA in respect of its Labuan business activity.

- In respect of Malaysian owned banks, insurance companies and takaful companies, the profits of newly established branches overseas or remittances of new overseas subsidiaries are tax exempt for 5 years, for applications received by Bank Negara Malaysia not later than 31 December 2015.

Basis of assessment
Income is assessed on a current year basis from the year of assessment (YA) 2000. The year of assessment is the year coinciding with the calendar year, for example, the YA 2011 is the year ending 31 December 2011. The basis period for a business source is normally the financial year ending in that particular YA. For example, the basis period for the YA 2011 for a business which closes its accounts on 30 June 2011, is the financial year ending 30 June 2011. From YA 2001, all non-business sources of income of a company are also assessed on the basis of the financial year.

W.e.f. YA 2004, all income of persons other than a company, co-operative or trust body, are assessed on a calendar year basis. Also, from that year of assessment, cooperative societies and trust bodies are assessed in the same way as companies, i.e. on the basis of the financial year ending in that particular YA.
PERSONAL INCOME TAX

Tax residence status of individuals

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

Self assessment for individuals

Self-assessment for individuals was implemented from YA 2004. Under the Self Assessment System (SAS), the responsibility for correctly assessing a person’s tax liability is transferred from the Inland Revenue Board (IRB) to the taxpayer.

The prescribed Form B/BE/M for YA 2010 will be issued to individual taxpayers in January 2011 or earlier and will be due for submission not later than 30 April 2011 except for those who derive business income such as sole proprietors and partnerships where the deadline for tax filing is 30 June each year. The submission of the Form B/BE/M is deemed to be a notice of assessment for which tax is due and payable on the same date as the filing deadline.

Under the SAS, the IRB monitors taxpayers’ compliance with the law through field audits.
## PERSONAL INCOME TAX

### Rates of tax

- **Resident individuals**

<table>
<thead>
<tr>
<th>Chargeable Income RM</th>
<th>Rate</th>
<th>Tax Payable RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>On the first 2,500</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>On the next 2,500</td>
<td>1</td>
<td>25</td>
</tr>
<tr>
<td>On the first 5,000</td>
<td>25</td>
<td></td>
</tr>
<tr>
<td>On the next 15,000</td>
<td>3</td>
<td>450</td>
</tr>
<tr>
<td>On the first 20,000</td>
<td>4</td>
<td>475</td>
</tr>
<tr>
<td>On the next 15,000</td>
<td>7</td>
<td>1,050</td>
</tr>
<tr>
<td>On the first 35,000</td>
<td>12</td>
<td>1,525</td>
</tr>
<tr>
<td>On the next 15,000</td>
<td>12</td>
<td>1,800</td>
</tr>
<tr>
<td>On the first 50,000</td>
<td>19</td>
<td>3,325</td>
</tr>
<tr>
<td>On the next 20,000</td>
<td>19</td>
<td>3,800</td>
</tr>
<tr>
<td>On the first 70,000</td>
<td>24</td>
<td>7,125</td>
</tr>
<tr>
<td>On the next 30,000</td>
<td>24</td>
<td>7,200</td>
</tr>
<tr>
<td>On the first 100,000</td>
<td>26</td>
<td>14,325</td>
</tr>
<tr>
<td>Above 100,000</td>
<td>26</td>
<td></td>
</tr>
</tbody>
</table>

A qualified person (defined) who is a knowledge worker residing in the Iskandar Development Region is taxed at the rate of 15% on income from an employment with a designated company engaged in a qualified activity in that specified region. The employment must have commenced on or after 24 October 2009 but not later than 31 December 2015.

- **Non-resident individuals**

<table>
<thead>
<tr>
<th>Types of income</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Entertainer’s professional income</td>
<td>15</td>
</tr>
<tr>
<td>Interest</td>
<td>15</td>
</tr>
</tbody>
</table>

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

### Year of assessment

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
</tr>
</tbody>
</table>

### Royalty

10

### Special classes of income:

- rental of moveable property 10
- technical or management services fees* 10
- payment for services rendered in connection 10
  with use of property or installation or
  operation of any plant, machinery or other
  apparatus purchased from a non-resident person

### Dividends (single tier)

Exempt

### Dividends (franked)

25

### Business and employment income

26

### Income other than the above

10

## Personal reliefs

### Resident individuals

<table>
<thead>
<tr>
<th>Types of relief</th>
<th>Year of assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
</tr>
<tr>
<td></td>
<td>RM</td>
</tr>
<tr>
<td>Self</td>
<td>9,000</td>
</tr>
<tr>
<td>Disabled individual - additional relief for self</td>
<td>6,000</td>
</tr>
<tr>
<td>Spouse</td>
<td>3,000</td>
</tr>
<tr>
<td>Disabled spouse - additional spouse relief</td>
<td>3,500</td>
</tr>
</tbody>
</table>

### Child

- per child (below 18 years old) 1,000
- per child (over 18 years old) receiving full-time instruction of higher education in respect of:
  - diploma level and above in Malaysia 4,000
  - degree level and above outside Malaysia 4,000
- per child (over 18 years old) serving under article 4,000 of indentures in a trade or profession
PERSONAL INCOME TAX

Year of assessment
2011
RM

- Per physically / mentally disabled child 5,000
- Physically / mentally disabled child (over 18 years of age) receiving full-time instruction at institution of higher education or serving under articles of indentures in a trade or profession 4,000

Life insurance premiums, EPF contributions and contributions to the proposed Private Pension Fund to be launched in 2011 7,000 *

Deferred annuity scheme premium **

Insurance premiums for education or medical benefits 3,000 *

Expenses on medical treatment, special needs or carer expenses for parents (evidenced by medical certification) 5,000 *

Medical expenses for self, spouse or child suffering from a serious disease (including fees of up to RM500 incurred by self, spouse or child for complete medical examination) 5,000 *

Purchase of sports equipment 300 *

Fee expended for any course of study up to tertiary level other than a degree at Masters or Doctorate level, undertaken for the purpose of acquiring law, accounting, Islamic financing, technical, vocational, industrial, scientific or technological skills or qualifications or any course of study for a degree at Masters or Doctorate level undertaken for the purpose of acquiring any skill or qualification 5,000 *

* Maximum relief
** Relief increased from RM6,000 to RM7,000, effective YA 2010. Increase of RM1,000 is only for deferred annuity contracted on or after 1 January 2010 or additional premium payment on existing deferred annuity scheme from 1 January 2010.
Year of assessment
2011
RM

Purchase of supporting equipment for self (if a disabled person) or for disabled spouse, child or parent 5,000 *
Cost incurred for the purchase of books, journals, magazines and other similar publications for the purpose of enhancing knowledge 1,000 *
Relief for purchase of personal computer 3,000 *(once every 3 years)
Broadband subscription 500 *
Deposit for child into the Skim Simpanan Pendidikan Nasional account established under Perbadanan Tabung Pendidikan Tinggi Nasional Act 1997 3,000 *(effective YA 2007)
Relief on housing loan interest for the purchase of one unit residential property where the Sale and Purchase Agreement is executed between 10 March 2009 and 31 December 2010 (given for 3 consecutive years) 10,000 *

* Maximum relief

Tax rebates

• Rebate for resident individuals
  If resident individual’s chargeable income is less than RM35,000, rebate granted is deducted from tax charged and any excess is not refundable.
  Amount of rebate
  - where husband and wife are jointly assessed:
    - Individual 400
    - Wife/husband 400
  - where husband and wife are separately assessed:
    Amount available to each, as an individual 400
• Rebate for Zakat, Fitrah or other Islamic religious dues paid Actual amount expended
EMPLOYMENT INCOME

Derivation
Employment income is regarded as derived from Malaysia and subject to Malaysian tax where the employee:
- exercises an employment in Malaysia for any period of time;
- is on paid leave which is attributable to the exercise of an employment in Malaysia;
- performs duties outside Malaysia which are incidental to his employment in Malaysia;
- is employed to work on board an aircraft or ship operated by a person who is resident in Malaysia.

Exemption (short term employees)
Income of a non-resident from an employment in Malaysia is exempt:
- if the aggregate of the period or periods of employment in Malaysia does not exceed 60 days in a calendar year, or
- where the total period of employment which overlaps 2 calendar years does not exceed 60 days.

Employees of OHQ and RO
Non-Malaysian citizens working in Operational Headquarters (OHQ) or Regional Offices (RO), or International Procurement Centres (IPC), or Regional Distribution Centres (RDC) status companies, who are based in Malaysia would be taxable on their income from the employment, on a time apportionment basis in accordance with the number of days spent in Malaysia.

Types of employment income and valuation

<table>
<thead>
<tr>
<th>Benefit to employee</th>
<th>Value to employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accommodation (unfurnished)</td>
<td>- lower of 30% of cash remuneration * or defined value of accommodation</td>
</tr>
<tr>
<td>employee/service director</td>
<td>defined value of accommodation</td>
</tr>
<tr>
<td>directors of controlled companies</td>
<td>defined value of accommodation</td>
</tr>
</tbody>
</table>
### Benefit to employee

<table>
<thead>
<tr>
<th>Benefit to employee</th>
<th>Value to employee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hotel accommodation</td>
<td></td>
</tr>
<tr>
<td>• employee/service director</td>
<td>- 3% of cash remuneration *</td>
</tr>
<tr>
<td></td>
<td>* Cash remuneration does not include equity-based income.</td>
</tr>
<tr>
<td>Allowances (e.g. entertainment, housing, etc.)</td>
<td>- total amount paid by employer.</td>
</tr>
<tr>
<td>• Petrol card/petrol/travel allowances</td>
<td></td>
</tr>
<tr>
<td>i) between home and work place</td>
<td>Exempted up to RM2,400 per annum from YA 2008 to YA 2010 *</td>
</tr>
<tr>
<td>ii) for official duties or opt to be taxed based on the annual prescribed value for petrol without any exemption</td>
<td>Exempted up to RM6,000 per annum *</td>
</tr>
<tr>
<td>• Childcare subsidies/ allowances</td>
<td>Exempted up to RM2,400 per annum *</td>
</tr>
<tr>
<td>• Parking fees/allowances</td>
<td></td>
</tr>
<tr>
<td>• Meal allowances</td>
<td></td>
</tr>
<tr>
<td>• Subsidies on interest on loans totalling RM300,000 for housing/passenger motor vehicles and education</td>
<td>Fully exempted *</td>
</tr>
<tr>
<td>Income tax</td>
<td></td>
</tr>
<tr>
<td>Leave passages</td>
<td></td>
</tr>
<tr>
<td>- amount paid by employer</td>
<td></td>
</tr>
<tr>
<td>- cost to employer of providing leave passage to the employee and members of his immediate family</td>
<td></td>
</tr>
<tr>
<td>- Exemption is given for</td>
<td></td>
</tr>
<tr>
<td>(i) one overseas leave passage up to a maximum of RM3,000 for fares only; or</td>
<td></td>
</tr>
<tr>
<td>(ii) 3 local leave passages including fares, meals and accommodation</td>
<td></td>
</tr>
</tbody>
</table>

* The above exemptions are not extended to directors of controlled companies, sole proprietors and partnerships.
Benefits-in-kind (BIK)

The Inland Revenue Board has issued Public Ruling 2/2004 and four addendums for the valuation of benefits-in-kind provided to employees. Under the Ruling, the value of BIK provided for an employee may be determined by either of the following methods:-

- the formula method, or
- the prescribed value method

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

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

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

<table>
<thead>
<tr>
<th>Items</th>
<th>Prescribed average life span</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Years</td>
</tr>
<tr>
<td>Motorcar</td>
<td>8</td>
</tr>
<tr>
<td>Furnishings:</td>
<td></td>
</tr>
<tr>
<td>Airconditioner</td>
<td>8</td>
</tr>
<tr>
<td>Curtains &amp; carpets</td>
<td>5</td>
</tr>
<tr>
<td>Furniture</td>
<td>15</td>
</tr>
<tr>
<td>Refrigerator</td>
<td>10</td>
</tr>
<tr>
<td>Sewing machine</td>
<td>15</td>
</tr>
<tr>
<td>Kitchen utensils/equipment</td>
<td>6</td>
</tr>
<tr>
<td>Entertainment and recreation:</td>
<td></td>
</tr>
<tr>
<td>Organ</td>
<td>10</td>
</tr>
<tr>
<td>Piano</td>
<td>20</td>
</tr>
<tr>
<td>Stereo set, TV, video recorder, CD/DVD player</td>
<td>7</td>
</tr>
<tr>
<td>Swimming pool (detachable), sauna</td>
<td>15</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>5</td>
</tr>
</tbody>
</table>
• Under the prescribed value method the following are some values of BIK prescribed in the Ruling:

**Value per year**

**Household furnishings, apparatus & appliances**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Semi-furnished with furniture in the lounge, dining room and bedroom</td>
<td>RM840</td>
</tr>
<tr>
<td>b) Semi-furnished as above and with airconditioners or carpets or curtains</td>
<td>RM1,680</td>
</tr>
<tr>
<td>c) Fully furnished</td>
<td>RM3,360</td>
</tr>
<tr>
<td>d) Service charges and other bills (e.g. water, electricity)</td>
<td>Charges and bills paid by employer</td>
</tr>
</tbody>
</table>

• Other benefits

- Telephone (including mobile telephone), telephone bills, pager, personal data assistant (PDA) and broadband subscription: Fully exempted *
- New computers: Fully exempted from YA 2008 to 2010 *
- Domestic servants: RM4,800 per servant
- Gardeners: RM3,600 per gardener
- Recreational club membership: Membership subscription paid by employer

• Employers’ goods provided free or at a discount: Discount up to RM1,000 is tax exempt *

• Employers’ own services provided full or at a discount: Fully exempted *

• Maternity expenses & traditional medicines: Fully exempted *

* The above exemption are not extended to directors of controlled companies, sole proprietors and partnerships.
• Standard rates for motorcar and fuel provided:

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

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

• Annual value of driver provided: RM7,200

Collection of tax

• Taxes are collected from employees through compulsory monthly deductions from salary under the Schedular Tax Deduction (STD) system.

• Individuals receiving non-employment income are required to pay by compulsory bi-monthly instalments.

CORPORATE INCOME TAX

Residence status

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

**Resident companies**
All income
25

With effect from YA 2004, a resident company with paid-up capital of RM2.5 million or less, is taxed at the following rates:

<table>
<thead>
<tr>
<th>Chargeable Income</th>
<th>RM</th>
<th>Rate % (YA 2011)</th>
</tr>
</thead>
<tbody>
<tr>
<td>On the first</td>
<td>500,000</td>
<td>20</td>
</tr>
<tr>
<td>In excess of</td>
<td>500,000</td>
<td>25</td>
</tr>
</tbody>
</table>

With effect from YA 2009, certain specified conditions must be met to qualify for the above rates.

**Non-resident companies**
Royalties
10
Rental of moveable properties
10
Technical or management service fees
10 *
Interest
15
Dividends – single tier
Exempt
   – franked
   25
Business
25
Income other than the above
10

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

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

Interest paid to a non-resident by a bank or a finance company in Malaysia or on approved loans is exempt from tax. An approved loan is a loan granted to or guaranteed by the Malaysian government.
Self assessment
Self assessment for companies came into effect from YA 2001.

- **Public Rulings**
  To facilitate compliance with the Self Assessment System (SAS), the Director General of Inland Revenue is empowered by provisions in the Income Tax Act, 1967 to issue Public Rulings. Public Rulings are binding on the Director General of Inland Revenue.

  All the Public Rulings can be downloaded from the IRB’s website at www.hasil.gov.my

  The Inland Revenue Board (IRB) issued the following Public Rulings/ Addendums in 2010 (up to 15 October):

<table>
<thead>
<tr>
<th>Ruling</th>
<th>Subject</th>
<th>Date (2010)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/2010</td>
<td>Withholding Tax on Income Under Paragraph 4(f)</td>
<td>19 April</td>
</tr>
<tr>
<td>2/2010*</td>
<td>Allowable Pre-operating and Pre-commencement expenses</td>
<td>3 June</td>
</tr>
<tr>
<td>4/2005 Second Addendum</td>
<td>Withholding Tax on Special Classes of Income</td>
<td>4 January</td>
</tr>
<tr>
<td>2/2004 Fourth Addendum</td>
<td>Benefits-in-kind</td>
<td>19 April</td>
</tr>
</tbody>
</table>

  * Supersedes Public Ruling No. 2/2002

- **Advance rulings**
  W.e.f. 1 January 2007, a taxpayer may request for an advance ruling from the Director General of Inland Revenue. The Director General may make an advance ruling on how any provision of the law applies to an arrangement described in the application. An advance ruling is only applicable to the person making the application.

- **Submission of returns and assessment**
  Under the self-assessment system for companies, returns are required to be submitted within 7 months from the date of closing of accounts.
Particulars required to be specified in the return include the amount of chargeable income and tax payable by the company.

On submission of the return, an assessment is deemed to have been made on the company. The return is deemed to be a notice of assessment, which is deemed to be served on the company on the day that it is submitted.

- **Collection of tax**
  Payment of tax by 12 equal monthly instalments has to be made, beginning from the second month of the company’s basis period (financial year). An estimate of tax payable for the year of assessment must be furnished to the Director General one month before the beginning of the basis period. From YA 2008, a newly established company with paid-up capital of RM2,500,000 and less is exempted from this requirement for 2 years, beginning from the YA in which the company commences operation subject to certain conditions. From YA 2011, a company commencing operations in a year of assessment, is not required to furnish estimates of tax payable or make instalment payments if the basis period for the year of assessment in which the company commences operations is less than 6 months.

  The balance of tax payable by a company is due to be paid on the last day by which the return must be submitted (see “Submission of returns and assessment” above).

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

**Profit distribution**

From YA 2008, the imputation system of taxation was replaced by a single-tier system of taxation which came into effect from 1 January 2008.

Under this system, tax on a company’s profits is a final tax and dividends are exempt in the hands of shareholders. Companies are no
CORPORATE INCOME TAX

longer required to deduct tax at source from dividends distributed to shareholders. A transition period of 6 years is provided for implementation of the single-tier system. All companies will move to the single-tier tax system on 1 January 2014 even though they may still have unutilized franking-credits as at 31 December 2013.

**Losses**
Business losses can be set off against income from all sources in the current year. Any unutilised losses can be carried forward indefinitely to be utilised against income from any business source. However, from YA 2006, companies are not allowed to deduct a loss brought forward from a prior year against income of a particular year of assessment if the shareholders of the company at the beginning of the basis period for that year of assessment are not substantially the same as the shareholders of the company at the end of the basis period for the (prior) year of assessment in which the loss was initially ascertained. The Ministry of Finance has issued guidelines which state that the above rule restricting carry-forward losses based on the shareholder continuity test would only apply to dormant companies.

**Loss carry-back**
Taxpayers can make an election to carry back current year loss for deduction against income of the immediately preceding year subject to a maximum deduction of RM100,000. The election may be made for YA 2009 and YA 2010 only.

**Group Relief**
From YA 2006 group relief is available for all locally incorporated resident companies provided that the conditions for eligibility are met. A company that qualifies may surrender a maximum of 50% of its adjusted loss for a year of assessment to one or more related companies. With effect from YA 2009, the maximum percentage of loss that can be surrendered is increased to 70%.

To be eligible for group relief, claimant & surrendering companies must meet the following conditions:
• Must be resident and incorporated in Malaysia.
CORPORATE INCOME TAX

- Each has a paid-up capital of ordinary shares exceeding RM2.5 million at the beginning of the basis period.
- Both companies must have same (twelve-month) accounting period.
- They are “related companies” as defined in the law, and must be “related” throughout the relevant basis period as well as the 12 months preceding that basis period.
- Companies currently enjoying certain incentives such as pioneer status, ITA, reinvestment allowance etc. are not eligible.

Business profits and deductions

- Business profits are computed on the basis of normal accounting principles as modified by certain tax adjustments.
- Generally, deduction is allowed for all outgoings and expenses wholly and exclusively incurred in the production of income.
- Deductions which are specifically disallowed include:
  - Domestic or private expenses
  - Income tax or similar taxes
  - Preliminary or pre-operating expenses
  - Capital expenditure
  - Depreciation and amortisation
  - General provisions
  - Interest expenses attributable to non-business investments
  - Lease rentals for passenger cars exceeding RM50,000 or RM100,000 per car, the latter amount being applicable to vehicles costing RM150,000 or less which have not been used prior to the rental
  - Employer’s contributions to unapproved pension, provident or saving schemes
  - Employer’s contributions to approved schemes in excess of 19% of employee’s remuneration
  - Non-approved donations
  - 50% of entertainment expenses with certain exceptions
  - Employee’s leave passages
CAPITAL ALLOWANCES

Industrial buildings

- Qualifying expenditure (QE)
  QE for purposes of industrial building allowance is the cost of construction of buildings or structures which are used as industrial buildings. With effect from YA 2005, QE in the case of a purchased building is the purchase price.

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

- Other qualifying expenditure
  Expenditure on construction or purchase of the following, including expenditure on extension or improvement of ancillary structures (w.e.f. YA 2001)
  - an airport
  - a motor racing circuit approved by the Finance Minister

An office building will qualify for allowances where it physically forms part of an industrial building and its cost does not exceed 10% of the total building cost.
Owners of new buildings occupied by Multimedia Super Corridor status companies in Cyberjaya are eligible for Industrial Building Allowance for a period of 10 years.

- The Finance Minister may prescribe a building that is used for the purpose of a person’s business as an industrial building, and the rate to be allowed.

- Types and rates of allowance

<table>
<thead>
<tr>
<th>Initial allowance</th>
<th>Annual allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Industrial building, whether constructed or purchased (w.e.f. YA 2002)</td>
<td>10</td>
</tr>
</tbody>
</table>

- Where annual allowance (AA) has been claimed for years prior to YA 2002 in respect of a building, and that allowance was calculated based on a permitted fraction* (PF), AA for that building for YA 2002 and subsequent years is calculated as follows:

\[
3\% \times QE \quad \text{or} \quad PF \times QE, \text{if } PF \text{ is greater than } 3\%
\]

\[
* \quad PF = \frac{1}{\text{Unexpired life}}
\]

where “unexpired life” is the overall life of 50 years reduced by the number of expired years commencing from the first year in which the building was completed.

**Plant and machinery**

- Qualifying expenditure

Qualifying plant expenditure includes

- cost of assets used in a business, such as plant and machinery, office equipment, furniture and fittings, motor vehicles, etc.

- the cost of construction and installation of plant and machinery (Where fees are paid to a non-resident in connection with installation of plant and machinery, withholding tax on that fees must be paid to qualify.)
- expenditure on fish ponds, animal pens, cages and other structures used for pastoral pursuits.

- Types of qualifying plant and rates of allowances

<table>
<thead>
<tr>
<th>Year of assessment</th>
<th>Annual allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>%</td>
</tr>
<tr>
<td>Heavy machinery</td>
<td>20</td>
</tr>
<tr>
<td>General plant and machinery</td>
<td>14</td>
</tr>
<tr>
<td>Furniture and fixtures</td>
<td>10</td>
</tr>
<tr>
<td>Office equipment</td>
<td>10</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>20 *</td>
</tr>
</tbody>
</table>

* Restriction on maximum qualifying expenditure:–

<table>
<thead>
<tr>
<th>Maximum RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>New vehicles purchased on or after 28 October 2000 100,000</td>
</tr>
<tr>
<td>where on–the–road price is RM150,000 or less</td>
</tr>
<tr>
<td>Vehicles other than the above 50,000</td>
</tr>
</tbody>
</table>

- Initial allowance of 20% is granted in the year the expenditure is incurred and the asset is in use for the purpose of the business.

- Annual allowance at the prescribed rates calculated on cost is given for every year during which the asset is in use for the purpose of the business, and is so used at the end of that year.

- Claimant of initial and annual allowances must be owner of the asset.

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

The following types of assets qualify for accelerated rates of initial or annual allowance:

<table>
<thead>
<tr>
<th>Initial allowance</th>
<th>Annual allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>-</td>
<td>10</td>
</tr>
<tr>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td>20</td>
<td>80*</td>
</tr>
</tbody>
</table>

- Industrial buildings
  - Public roads and ancillary structures recoverable through toll collection
  - Buildings for the provision of child care facilities
  - Buildings used as living accommodation for employees by a person engaged in a manufacturing, hotel or tourism business or approved service project
  - Buildings used as a school or an educational institution approved by the Minister of Education or any relevant authority or for the purposes of industrial, technical or vocational training approved by the Minister
  - Building used as a warehouse for storage of goods for export or for storage of imported goods to be processed and distributed or re-exported
  - Buildings purchased or constructed by BioNexus status company for use in its approved business or expansion project
  - Buildings constructed under an agreement with the government on a build-lease-transfer basis, approved by the Minister of Finance

- Plant and machinery (P & M)
  - Computer and information technology assets and computer software

* For YA 2009 to YA 2013
<table>
<thead>
<tr>
<th>Description</th>
<th>Initial allowance %</th>
<th>Annual allowance %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental protection equipment</td>
<td>40</td>
<td>20</td>
</tr>
<tr>
<td>Buses using natural gas</td>
<td>40</td>
<td>20</td>
</tr>
<tr>
<td>Equipment providing natural gas refueling at natural gas refueling outlet</td>
<td>40</td>
<td>20</td>
</tr>
<tr>
<td>P &amp; M for building and construction</td>
<td>30</td>
<td>10-20</td>
</tr>
<tr>
<td>P &amp; M for extraction of timber</td>
<td>60</td>
<td>10-20</td>
</tr>
<tr>
<td>Tin mining equipment and machinery</td>
<td>60</td>
<td>10-20</td>
</tr>
<tr>
<td>P &amp; M of a manufacturing company used for recycling or processing of wastes</td>
<td>40</td>
<td>20</td>
</tr>
<tr>
<td>P &amp; M of manufacturing or food processing companies engaged in production of promoted products (only available on expiry of reinvestment allowance)</td>
<td>40</td>
<td>20</td>
</tr>
<tr>
<td>P &amp; M of a manufacturing company used exclusively for recycling wastes or further processing of wastes into a finished product</td>
<td>40</td>
<td>20</td>
</tr>
<tr>
<td>P &amp; M of agriculture/plantation companies</td>
<td>20</td>
<td>40</td>
</tr>
<tr>
<td>P &amp; M for maintaining the quality of power supply</td>
<td>20</td>
<td>40</td>
</tr>
<tr>
<td>Moulds used in the production of Industrial Building System Components</td>
<td>40</td>
<td>20</td>
</tr>
</tbody>
</table>

- Small-value assets of less than RM1,000 each are eligible for 100% capital allowances. The total value of such assets are capped at RM10,000. This restriction to RM10,000 will not apply w.e.f YA 2009 to SMEs (as defined).

- Expenditure on installation of security control equipment and vehicle surveillance equipment can be fully written off within 1 year subject to certain conditions. (YA2008 to YA2012 only.)
• P & M acquired by SMEs (as defined) in YA 2009 and 2010 can be written off in 1 year.
• P & M acquired between 10 March 2009 and 31 December 2010 - QE can be claimed within 2 years (20% IA and 40% AA)
• Qualifying expenses on renovation and refurbishment of business premises between 10 March 2009 and 31 December 2010 (limited to RM100,000) to be claimed within 2 years (50% each year).

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

In the case of an industrial building, no adjustments will be made if the building is disposed of after the 50th year for expenditure incurred prior to YA 2005.

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

Disposals within 2 years
Capital allowances which have been previously granted may be clawed back if the asset is sold within 2 years of purchase unless there is commercial justification for the disposal.

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

However, effective from YA 2006, unabsorbed capital allowances brought forward from a prior year are not allowed to be deducted against adjusted income of a particular year of assessment if the shareholders of the company at the beginning of the basis period for that year of assessment are not substantially the same as the shareholders of the company at the end of the basis period for the (prior) year of assessment in which the capital allowances were ascertained. The Ministry of Finance has issued guidelines which state that the rule restricting carry-forward capital allowances based on the shareholder continuity test would only apply to dormant companies.

AGRICULTURE ALLOWANCES
Qualifying expenditure and rates

Types of qualifying agriculture expenditure (QAE) Rates %

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

The Minister of Finance may prescribe any capital expenditure incurred by a person in his business as QAE, and the amount of agriculture allowance that would be granted in respect of that QAE.

DOUBLE TAX TREATIES AND WITHHOLDING TAX RATES
The following countries have concluded double tax treaties with Malaysia:

<table>
<thead>
<tr>
<th>Treaty countries</th>
<th>Rate of withholding tax</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Interest</td>
</tr>
<tr>
<td>Albania</td>
<td>10 or Nil</td>
</tr>
<tr>
<td>Australia</td>
<td>15 or Nil</td>
</tr>
<tr>
<td>Austria</td>
<td>15 or Nil</td>
</tr>
<tr>
<td>Country</td>
<td>Types of qualifying agriculture expenditure (QAE)</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td>Bahrain</td>
<td>5 or Nil</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>15 or Nil</td>
</tr>
<tr>
<td>Belgium</td>
<td>15 or 10 or Nil</td>
</tr>
<tr>
<td>Bosnia &amp; Herzegovina *</td>
<td>10 or Nil</td>
</tr>
<tr>
<td>Brunei</td>
<td>10 or Nil</td>
</tr>
<tr>
<td>Canada</td>
<td>15 or Nil</td>
</tr>
<tr>
<td>China, People’s Republic</td>
<td>10 or Nil</td>
</tr>
<tr>
<td>Chile</td>
<td>15</td>
</tr>
<tr>
<td>Croatia</td>
<td>10 or Nil</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>12 or Nil</td>
</tr>
<tr>
<td>Denmark</td>
<td>15 or Nil</td>
</tr>
<tr>
<td>Egypt</td>
<td>15 or Nil</td>
</tr>
<tr>
<td>Fiji</td>
<td>15 or Nil</td>
</tr>
<tr>
<td>Finland</td>
<td>15 or Nil</td>
</tr>
<tr>
<td>France</td>
<td>15 or Nil</td>
</tr>
<tr>
<td>Germany</td>
<td>15 or Nil</td>
</tr>
<tr>
<td>Hungary</td>
<td>15 or Nil</td>
</tr>
<tr>
<td>India (new agreement)</td>
<td>10 or Nil</td>
</tr>
<tr>
<td>Indonesia</td>
<td>15 or Nil</td>
</tr>
<tr>
<td>Iran</td>
<td>15 or Nil</td>
</tr>
<tr>
<td>Ireland</td>
<td>10 or Nil</td>
</tr>
<tr>
<td>Italy</td>
<td>15 or Nil</td>
</tr>
<tr>
<td>Japan</td>
<td>10 or Nil</td>
</tr>
<tr>
<td>Jordan</td>
<td>15 or Nil</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>10 or Nil</td>
</tr>
<tr>
<td>Korea Republic</td>
<td>15 or Nil</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>10 or Nil</td>
</tr>
<tr>
<td>Kuwait</td>
<td>10 or Nil</td>
</tr>
<tr>
<td>Lebanese Republic</td>
<td>10 or Nil</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>10 or Nil</td>
</tr>
<tr>
<td>Malta</td>
<td>15 or Nil</td>
</tr>
</tbody>
</table>
## DOUBLE TAX TREATIES AND WITHHOLDING TAX RATES

<table>
<thead>
<tr>
<th>Treaty countries</th>
<th>Interest</th>
<th>Royalties</th>
<th>Technical Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritius</td>
<td>15 or Nil</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Morocco</td>
<td>10 or Nil</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Mongolia</td>
<td>10 or Nil</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Myanmar</td>
<td>10 or Nil</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Namibia</td>
<td>10 or Nil</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Netherlands</td>
<td>10 or Nil</td>
<td>8 or Nil</td>
<td>8</td>
</tr>
<tr>
<td>New Zealand</td>
<td>15 or Nil</td>
<td>10 or Nil</td>
<td>10</td>
</tr>
<tr>
<td>Norway</td>
<td>15 or Nil</td>
<td>10 or Nil</td>
<td>10</td>
</tr>
<tr>
<td>Pakistan</td>
<td>15 or Nil</td>
<td>10 or Nil</td>
<td>10</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>15 or Nil</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Philippines</td>
<td>15 or Nil</td>
<td>10 or Nil</td>
<td>10</td>
</tr>
<tr>
<td>Poland</td>
<td>15 or Nil</td>
<td>10 or Nil</td>
<td>10</td>
</tr>
<tr>
<td>Qatar</td>
<td>5 or Nil</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Romania</td>
<td>15 or Nil</td>
<td>10 or Nil</td>
<td>10</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>15 or Nil</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>San Marino *</td>
<td>10 or Nil</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Saudi Arabia (full agreement)</td>
<td>5 or Nil</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Senegal *</td>
<td>10 or Nil</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Seychelles Republic</td>
<td>10 or Nil</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Singapore</td>
<td>10 or Nil</td>
<td>8</td>
<td>5</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>10 or Nil</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>South Africa</td>
<td>10 or Nil</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Spain</td>
<td>10 or Nil</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Sudan</td>
<td>10 or Nil</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Sweden</td>
<td>10 or Nil</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Switzerland</td>
<td>10 or Nil</td>
<td>10 or Nil</td>
<td>10</td>
</tr>
<tr>
<td>Syria</td>
<td>10 or Nil</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Thailand</td>
<td>15 or Nil</td>
<td>10 or Nil</td>
<td>10</td>
</tr>
<tr>
<td>Turkey</td>
<td>15 or Nil</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>10 or Nil</td>
<td>10</td>
<td>10 or Nil</td>
</tr>
</tbody>
</table>
TAX INCENTIVES

Rate of withholding tax %

<table>
<thead>
<tr>
<th>Treaty countries</th>
<th>Interest</th>
<th>Royalties</th>
<th>Technical Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Arab Emirates</td>
<td>5 or Nil</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>10 or Nil</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>10 or Nil</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Venezuela</td>
<td>15 or Nil</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Vietnam</td>
<td>10 or Nil</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Zimbabwe *</td>
<td>10 or Nil</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

* Pending ratification

There is no withholding tax on dividends paid by Malaysian companies.

With effect from 21 September 2002, only fees for technical and management services rendered in Malaysia are liable to Malaysian income tax.

There is a restricted double tax treaty with Argentina and with the United States of America which deals with the taxation of air and sea transport operations in international traffic.

TAX INCENTIVES

Pioneer status

Eligibility:
Companies intending to engage in a promoted activity or producing a promoted product (in the manufacturing, food processing, agricultural, hotel, tourism or other industrial or commercial sectors).

Incentive:
• Tax exemption on 70% of statutory income for 5 years from production day.
• Tax exempt dividends may be paid out of exempt income.

A Pioneer Status company which intends to undertake reinvestment before expiry of its pioneer status may opt for reinvestment allowance, provided it surrenders its pioneer status.
Investment tax allowance (ITA)

Eligibility:
Companies intending to engage in a promoted activity or producing a promoted product (in the manufacturing, food processing, agricultural, hotel, tourism or other industrial or commercial sectors).

ITA is an alternative to pioneer status. ITA is deemed not to be given if the asset is disposed of within 2 years from the date of acquisition.

Incentive:
- 60% of qualifying capital expenditure (QCE) incurred within 5 years of approval date can be used to offset up to 70% of statutory income each year until allowance is fully allowed.
- Tax exempt dividends may be paid out of exempt income.

A company which has been granted ITA is eligible to apply for reinvestment allowance upon the surrender of the grant of ITA by giving a written notice of such surrender to the Minister of International Trade and Industry.

Enhanced pioneer relief and investment tax allowance
Available for specified projects as follows:
- Approved projects located in promoted areas such as Kelantan, Terengganu, Pahang, the district of Mersing in Johore, Perlis, Sabah and Sarawak. (Effective for applications received by the Malaysian Industrial Development Authority (MIDA) from 13 September 2003).
- Manufacturing activities relocated to promoted areas (effective for application received before 31 December 2010).
- Hotel and tourism projects in promoted areas in respect of applications received from 13 September 2003 to 31 December 2010. Also available for hotel operators that undertake new investments in 4 and 5 star hotels in Sabah and Sarawak. (for applications received by MIDA from 30 August 2008 to 31 December 2013.)
- A project of national and strategic importance involving heavy capital investment extensive linkages and which has significant impact on the Malaysian economy.
• High technology companies qualifying for MSC (Multimedia Super Corridor) Malaysia status are considered as projects of national and strategic importance.

• Companies producing intermediate goods under approved schemes or producing qualifying automotive component modules, or participating in strategic knowledge intensive activities.

• Companies investing in new laboratories of recognised international standard for testing of medical devices *

• Enterprises providing integrated logistics, marketing support services and utility services.

The enhanced incentives available for the above projects are as follows:

**Pioneer status**
- Tax exemption on 100% of statutory income for 5 years (for projects in promoted areas).

**ITA**
- ITA of 100% of QCE incurred over 5 years can be used to offset 100% of statutory income (for projects located in promoted areas).

Companies engaged in the following activities are also eligible for pioneer or ITA incentives.

• Companies upgrading an existing testing laboratory for testing medical devices *

  * (Applicable for applications received by MIDA from 8 September 2007 to 31 December 2012)

**Pioneer status**
- None

**ITA**
- ITA of 60% of QCE incurred within 5 years can be used to offset 100% of statutory income

• Companies providing technical, vocational training or private higher education institutions providing qualifying science courses
Pioneer status | ITA
---|---
- None | - ITA of 100% of QCE incurred over 10 years can be used to offset 70% of statutory income

(Qualifying science courses are applicable for applications received after 1 October 2005 by MIDA)

- Companies producing specialised machinery and equipment

Pioneer status | ITA
---|---
- 100% of statutory income for 5 years (may be extended for 5 more years) | - 100% of QCE incurred within 5 years can be used to offset 100% of statutory income

- Companies reinvesting in:

(a) production of machinery and equipment including heavy or specialised machinery, equipment and machine tools

(b) cold chain facilities and services for perishable agricultural produce

(A) Companies located outside promoted areas:

Pioneer status | ITA
---|---
- 70% on increased statutory income for 5 years | - 60% on additional QCE within 5 years can be used to offset 70% of statutory income

(B) Companies located in promoted areas:

Pioneer status | ITA
---|---
- 100% on increased statutory income for 5 years | - 100% on additional QCE within 5 years can be used to offset 100% of statutory income

Effective for applications received by Malaysian Industrial Development Authority from 13 September 2003
Companies with halal certification from JAKIM and other quality certification producing halal food (effective for applications received by MIDA from 11 September 2004)

**Pioneer status**
- None

**ITA**
- 100% of QCE incurred within 5 years can be offset 100% of statutory income

**Infrastructure for public use**

*Eligibility:*
A company that incurs expense on infrastructure in relation to its business, which is available for public use.

*Incentive:*
100% deduction of the expenditure.

**Infrastructure allowance**

*Eligibility:*
A Malaysian resident company which has incurred capital expenditure on infrastructure in respect of a business operation in a promoted area.

“Infrastructure” includes a bridge, jetty, port or road in respect of a business operation in a promoted area.

*Incentive:*
- 100% of QCE to be deducted against 100% of statutory income each year until fully utilised.
- Tax exempt dividends may be paid out of exempt income.

**Special incentive scheme**

*Eligibility:*
A company incorporated and resident in Malaysia, deriving income from an “approved business” which is approved by the Minister of Finance under the special incentive scheme.
**TAX INCENTIVES**

**Incentive:**

(A) • Income tax exemption of statutory income from the approved business
  • Exemption is on 70% of statutory income, or at any other rate prescribed by the Minister.

(B) • Income tax exemption on statutory income from the approved business by way of an allowance.
  • The allowance is computed by applying a rate to be determined by the Minister, to the amount of qualifying capital expenditure incurred by the claimant in the basis period for a year of assessment.

Exempt dividends may be paid out of exempt income under (A) or (B).

**Reinvestment allowance**

**Eligibility:**

A Malaysian resident company which:
- has been in operation for not less than 36 months (12 months prior to YA 2009);
- has incurred QCE on a factory, plant and machinery used in Malaysia for the purpose of a qualifying project.

The following entities are also eligible:
- an agro-based co-operative society
- an Area, National or State farmer’s association
- an Area, National or State fishermen’s association.

A “qualifying project” means:
- (a) a project in expanding, modernizing, automating an existing business of manufacturing a product or diversifying an existing business into a related product
- (b) an agriculture project in expanding, modernizing or diversifying a cultivation and farming business
(c) a project in transforming the chicken/duck rearing business from an opened house to a closed house system or expanding the closed house system (YA 2009 and YA 2010)

**Incentive:**
- Allowance of 60% of QCE to be deducted against 70% of statutory income.
- Tax exempt dividends may be paid out of exempt income.
- Available for 15 years beginning from the year of assessment in which reinvestment allowance was first claimed.

Enhanced reinvestment allowance of 60% of capital expenditure to be deducted against 100% of statutory income is claimable by companies with projects located within the Federal Territory of Labuan, Perlis, Sabah, Sarawak, Kelantan, Terengganu, Pahang, and the District of Mersing in Johor.

**Approved services project (ASP)**

**Eligibility:**
Resident companies in the communication, utilities and transportation services subsectors which have incurred capital expenditure on ASP.

ASP is defined as a project in any of the above services subsectors, which has been approved by the Minister of Finance.

**Incentive:**
- Investment allowance of 60% of QCE incurred, available within 5 years from the date QCE was first incurred. Can be used to offset up to 70% of statutory income.
- Tax exempt dividends may be paid out of exempt income.
- An alternative incentive is exemption from income tax under section 127 of the Income Tax Act 1967 of up to 70% of statutory income for 5 years.
- IBA for buildings constructed or purchased for ASP purposes.
- Exemption from customs duty and sales tax on imported material and machinery which is not available locally, or, if locally purchased, such items must be used as direct inputs in ASP.
TAX INCENTIVES

- Double deduction for expenses incurred:
  - in undertaking R&D activities;
  - on promotion of export of services.

Enhanced relief is available for the following projects:

- Projects located in Sabah, Sarawak and Eastern Corridor of Peninsular Malaysia

  **Investment allowance**
  - 80% of QCE can be used to offset 85% of statutory income for 5 years

- Projects of national and strategic importance
  - 100% of QCE can be used to offset 100% of statutory income for 10 years

- Last mile network facilities provider
  - 100% of QCE on broadband infrastructure can be used to offset 70% of statutory income (effective until 31 December 2012)

**Increased export allowance**

*Eligibility:*
Resident company engaged in manufacturing or agriculture, which has exported manufactured products or agricultural produce in the basis period for a year of assessment.

*Incentive*
- Export allowance, deductible from a maximum of 70% of statutory income, at the following rates:

<table>
<thead>
<tr>
<th>% of value added*</th>
<th>Allowance (% of increased exports)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufactured products</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>50</td>
</tr>
<tr>
<td>Agricultural produce</td>
<td>-</td>
</tr>
<tr>
<td>Designated “Qualifying Services”</td>
<td>-</td>
</tr>
</tbody>
</table>

* Value added means ex-factory price less total cost of raw materials.
• Unabsorbed allowance can be carried forward
• Tax exempt dividends may be paid out of exempt income.

Effective from YA 2003, tax exemption on statutory income is available at the following rates for companies engaged in manufacturing or agricultural activities:
• 30% of increased export value if the company achieves a significant increase in exports;
• 50% of increased export value if the company penetrates new markets;
• 100% of increased export value if the company is awarded the “Export Excellence Award” by the Ministry of International Trade and Industry. Effective from YA 2008 this incentive is extended to recipients of “Export Excellence Award (Services) and Brand Excellence Award”.

**Food production**

*Eligibility:*
A Company that invests in its subsidiary company that is engaged in approved food production activities.

*Incentive:*
• Tax deduction equivalent to the amount of investment made in that subsidiary.

*Eligibility:*
Subsidiary company engaged in approved food production activities.

*Incentive:*
• 100% tax exemption on statutory income for 10 years for new project or 5 years for expansion project (For application received until 31 December 2015 by the Ministry of Agriculture and Agro-based Industry)

**Proprietary rights**

*Eligibility:*
Manufacturing company at least 70% owned by Malaysian citizens. Proprietary rights (e.g. patents, trademarks) acquired must be used for purposes of the business.
**Incentive:**
- Deduction for cost of acquisition of proprietary rights allowed in arriving at adjusted income, at 20% of cost per year of assessment.

**Owners of Malaysian brands**

**Eligibility:**
Owners of Malaysian brands who outsource manufacturing activities.

**Incentive:**
- Import duty and sales tax exemption on imported raw material and semi-finished goods.

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

**Eligibility:**
Must be approved by Securities Commission.

**Incentive:**
- Exemption from stamp duty on instrument of transfer of real property to REIT/PTF.
- Exempted from tax on all income if at least 90% of total income is distributed.
- Dividends paid by REIT listed on Bursa Malaysia received by non-corporate/foreign institutional investors are subject to final withholding tax of 10% from 1 January 2009 till 31 December 2011.
- Local and foreign corporate investors are subject to existing tax treatment and rates.
- Deduction for consultancy, legal and valuation services fees incurred in the establishment of REIT for income tax purposes.
- Effective from YA 2008, disposals of buildings from companies to REITs are not subject to balancing charge and REITS are eligible to claim the balance of unclaimed industrial building allowance of the disposers.

**Venture capital industry**

(A) **Eligibility:**
- Venture capital company (VCC) investing in venture companies (VC) involved in Government promoted products or activities, which should not be companies within the same group.
**TAX INCENTIVES**

**Incentive:**
Exemption on statutory income from all sources, other than interest income from savings or fixed deposits and profits from syariah-based deposits for the following duration:

<table>
<thead>
<tr>
<th>Exempt period</th>
<th>Conditions</th>
</tr>
</thead>
</table>
| 10 years      | - at least 70% of invested funds is invested in VC; or  
                - where investment is in the form of seed capital, at least 50% of invested funds is invested. |
| 5 years       | - at least 30% of invested funds is invested in VC in the form of seed capital, start-up or early stage financing; and  
                - application must be made between 30 August 2008 and 31 December 2013. |

**(B) Eligibility:**

- Any resident person investing in venture companies involved in Government promoted products and activities, which should not be companies within its group.
- Funds must be invested in the early stage financing of venture companies.

**Incentive:**
- Deduction equivalent to value of investment against adjusted income.

**(C) Eligibility:**

- Company that professionally manages venture capital funds (venture capital management company).

**Incentive:**
- Tax exemption on income arising from profit-sharing agreement with venture capital company.

**Closed-end fund company**

**Eligibility:**
Public limited company incorporated in Malaysia and approved by the Securities Commission, engaging wholly in investment of funds in securities.
TAX INCENTIVES

Incentive:
• Exemption from income tax on gains from realisation of investments and interest income.
• Deduction of up to 25% of certain “permitted expenses”.
• Tax exemption on dividends paid out of exempt income.

Foreign fund management company

Eligibility:
Company incorporated in Malaysia and licensed under the Securities Industry Act 1983 providing fund management services to foreign investors, or to both foreign and local investors.

Incentive:
• Chargeable income from a source relating to provision of management services to foreign investors only is taxed at 10%. Tax exempt dividends may be paid to shareholders.

Islamic fund management

Eligibility:
Malaysian fund management companies managing funds of local and foreign investors established under the Syariah principles. Funds must be approved by Securities Commission.

Incentive:
• Income tax exemption on statutory income from a business of providing fund management services to local investors (from YA 2008) and foreign investors (from YA 2007) until YA 2016.

Insurance and trading of sukuk

Eligibility:
Holder of Capital Markets Services Licence and registered person under the Capital Markets and Services Act 2007, undertaking activities of: (i) arranging, underwriting and distributing of non-ringgit sukuk; (ii) dealing in non-ringgit sukuk; The sukuk must originate from Malaysia and be issued or guaranteed by the Malaysian Government or approved by the Securities Commission or the Labuan offshore Financial Services Authority now called the Labuan Financial Services Authority.
**TAX INCENTIVES**

*Incentive:*
- Exemption from income tax on statutory income from the above activities effective from YA 2009 to 2011.

**Listing of foreign companies and foreign products in Bursa Malaysia**

*Eligibility:*
An approved person who is a member of the due diligence working group established under the Guidelines on Due Diligence Conduct For Corporate Proposal as issued by the Securities Commission.

*Incentive:*
Income tax exemption on statutory income from advisory fees relating to structuring and listing of a foreign corporation or foreign investment product on an approved stock exchange.

Effective from YA 2009 to YA 2013.

**Conference promotion**

*Eligibility:*
- Company incorporated in Malaysia promoting conferences held in Malaysia.
- Bringing in at least 500 foreign participants per annum.

*Incentive:*
Tax exemption on income derived from bringing in at least 500 foreign participants per annum.

**Sponsorship of Arts**

*Eligibility:*
A company that sponsors local and foreign art and cultural performances approved by the Minister of Culture, Arts and Heritage.

*Incentive:*
Deduction on expenditure on sponsoring such performances of up to RM500,000 per year, subject to maximum amount of RM200,000 for foreign performances.
International trade exhibition

*Eligibility:*
- Organisers of international trade exhibitions held in Malaysia.
- Exhibition approved by MATRADE.
- At least 500 foreign visitors per year.

*Incentive:*
- Income tax exemption for income from organisation of the exhibition.

Income from group inclusive tours

*Eligibility:*
Resident carrying on an inbound tour operating business approved and registered with the Ministry of Culture, Arts and Tourism.

*Incentive:*
- Tax exemption on income from such tours where the total number of inbound tourists from outside Malaysia is 500 or more for the period. Effective for YA 2007 to YA 2011.

Income from domestic tours

*Eligibility:*
Companies organising domestic tour packages.

*Incentive:*
- Tax exemption on income from domestic tour packages where the total number of local tourists is 1,200 or more per year. The exemption is for YA 2007 to 2011.

Approved regional distribution centre (RDC)

*Eligibility:*
Company incorporated in Malaysia
- With minimum paid-up capital of RM500,000
- Minimum total business spending of RM1,500,000 per year.
- Annual turnover of RM100 million or more
- Located in free zones, licensed warehouse or licensed manufacturing warehouse.
TAX INCENTIVES

Incentive:
• Statutory income exempted for 10 years except for local sales exceeding 20%.
• Import duty and sales tax exemption on goods for distribution.
• Expatriate posts granted based on needs.
• Tax exempt dividends may be paid out of exempt income.

International Procurement Centre (IPC)
Eligibility:
Company incorporated in Malaysia with:
• minimum paid-up capital of RM 500,000;
• minimum total business spending of RM 1,500,000 per year;
• direct goods handling through Malaysian ports and airports;
• minimum turnover of RM50 million by third year of operation.

Incentive:
• Import of raw materials, components or finished products without customs duties payment into Free Zones or licensed manufacturing warehouses for repacking, cargo consolidation and integration before distribution to final consumers;
• Expatriate posts granted based on needs;
• One or more foreign currency accounts to retain export proceeds allowed;
• Approval for foreign exchange forward contracts;
• 100% equity holding by the promoter;
• The income tax incentives for RDC are also applicable to IPC where turnover exceeds RM100 million, and subject to certain other conditions.

Approved operational headquarters (OHQ) company
Eligibility:
Company incorporated in Malaysia:
• Providing qualifying services to its offices or related companies within or outside Malaysia;
• Paid-up capital of at least RM500,000;
• Total annual business spending of at least RM1.5 million; and
• Approved by MIDA.
Incentive:
• Income tax exemption for 10 years except for income from related companies in Malaysia exceeding 20% of total OHQ income from qualifying services.
• Exempt dividends can be declared from the exempt account.

International trading company
Eligibility:
• Company incorporated in Malaysia;
• Minimum annual sales turnover exceeding RM10,000,000;
• Minimum 60% equity owned by Malaysians;
• Uses local services for the purpose of banking, finance and insurance and uses local ports and airports;
• Registered with MATRADE.

Incentive:
• Income tax exemption equivalent to 20% of the increased export value up to a maximum of 70% of statutory income, for 5 years.

Shipping industry
Eligibility:
Resident person carrying on a business of:
• transporting passengers or cargo by sea on Malaysian ships owned by that person; or
• time charter or voyage charter of Malaysian ships owned by that person.
“Person” includes a partnership.

Incentive:
• Exemption of statutory income.
• Tax exempt dividends may be paid out of exempt income.

Environmental conservation
(A) Companies undertaking performance contracting service activities to conserve usage of energy.

Eligibility:
Application received from 8 September 2007 to 31 December 2015.
TAX INCENTIVES

*Incentive:*
- Tax exemption of 100% of statutory income for 10 years or.
- Investment allowance equal to 100% of QCE incurred within 5 years deducted from 100% of statutory income.
- Import duty and sales tax exemption on energy conservation equipment that are not produced locally and sales tax exemption on the purchase of equipment from local manufacturers.

(B) Companies which incur capital expenditure for conserving energy for own consumption.

*Eligibility:*
Application received from 8 September 2007 to *31 December 2015.*

*Incentive:*
- Investment allowance equal to 100% of QCE incurred within 5 years deducted from 100% of statutory income.
- Import duty and sales tax exemption on energy conservation equipment that are not produced locally and sales tax exemption on the purchase of equipment from local manufacturers.

(C) Companies importing or purchasing locally manufactured energy efficiency (EE) equipment for third party consumption.

*Eligibility:*
Application received from 30 August 2008 to *31 December 2012.*

*Incentive:*
- Import duty and sales tax exemption on EE equipment to importers.
- Sales tax exemption on the purchase of locally manufactured EE consumer goods.

**Renewable energy source**

*Eligibility:*
- Companies using biomass, hydro power (not exceeding 10 mega watts) or solar power for generation of energy.
- Application received from 1 October 2005.
- Project implemented within 1 year of approval.
Incentive:
- Tax exemption under pioneer status of 100% of statutory income for 10 years or
- ITA of 100% of QCE incurred within 5 years, to be utilised against 100% of statutory income.
- Import duty and sales tax exemption on equipment used to generate energy from renewable sources not produced locally and sales tax exemption on equipment purchased from local manufacturers.

Enhanced Incentive:
For application received from 8 September 2007 to 31 December 2015.
- Where one company in the group has been granted the incentive, other companies in the same group are also eligible for either one of the above incentive.
- Companies generating renewable energy for own consumption can apply for ITA of 100% of QCE incurred within 5 years, to be utilised against 100% of statutory income.

Tariff related incentives
For application received from 30 August 2008 to 31 December 2012.

Incentive:
- Import duty and sales tax exemption on solar photovoltaic system equipment for the usage by third parties to importers.
- Sales tax exemption on the purchase of solar heating system equipment from local manufacturers.

Enhanced incentive
For companies utilising oil palm biomass to produce value added products:

Incentive:
- Existing companies (incentive for reinvestment):

  **Pioneer Status**
  - 100% on increased statutory income for 10 years

  **ITA**
  - 100% on additional QCE incurred within 5 years can be used to offset 100% of statutory income.
• New companies:

**Pioneer Status**
- 100% of statutory income for 10 years

**ITA**
- 100% of QCE incurred within 5 years can be used to offset 100% of statutory income.

Applications for above should be received by Malaysian Industrial Development Authority from 13 September 2003.

**Biotechnology Industry**

*Eligibility:*
Companies undertaking biotechnology activity with approved bionexus status from Malaysian Biotechnology Corporation Sdn Bhd.

*Incentive:*
- 100% exemption for 10 years from the first year in which the company derives profit; or ITA of 100% on QCE incurred within a period of 5 years.
- Dividends distributed are tax exempt.
- Import duty and sales tax exemption on raw materials/components and machinery/equipment.
- Double deduction on expenditure incurred for R & D.
- Double on expenditure incurred for promotion of exports.

Effective 2 September 2006, the following incentives are available:
- Income tax exemption on statutory income derived from an approved business, determined by the following formula, for 10 years upon expiry of tax exempt period

\[
\text{Chargeable income of approved business} \times \left( \frac{\text{Tax charged on chargeable income of approved business at prevailing tax rate}}{20\%} - \text{tax charged at 20\%} \right)
\]

(Tax charged on chargeable income of approved business @ prevailing tax rate – tax charged @ 20%)
TAX INCENTIVES

- Stamp duty and real property gains tax exemptions given to a bionexus company undertaking merger and acquisition with a biotechnology company.
- Industrial building allowance over 10 years given on buildings used solely for approved business or expansion project of a bionexus company.

Effective from 1 May 2005, a company or individual investing in a bionexus company is given tax deduction equivalent to total investment in seed capital and early stage financing.

Implementation of RosettaNet

Eligibility:
Companies incurring expenditure in the management and operation of RosettaNet Malaysia and in assisting local small and medium scale companies to adopt RosettaNet.

Incentive:
- Expenditure is tax deductible.

Offshore Trading via websites in Malaysia

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

Incentive:
- Tax at 10% for 5 years.
- Tax exemption on dividends paid out of exempt income.

Cost of developing websites

Eligibility:
Expenditure incurred on development of websites for business.

Incentive:
- Annual deduction of 20% for 5 years.
TAX INCENTIVES

Islamic securities

*Eligibility:*
Expenditure incurred in the issuance of Islamic securities.

*Incentive:*
- Deduction for expenditure incurred in the issuance of Islamic securities approved by the Securities Commission or the Labuan Financial Services Authority (from YA 2011 to YA 2015 where issuance is approved by the first authority, and from YA 2010 to YA 2015 where issuance is approved by the second authority).

Reduction of greenhouse gas emission

*Incentive:*
Income from sale of Certified Emission Reductions (CERs) certificates is given tax exemption (effective from YA 2008 to 2012).

Iskandar Development Region (IDR)

*Incentive:*
**IDR-status company** – 10 years exemption from tax on qualifying activity provided to any person situated
(a) both within an approved node and outside Malaysia; or
(b) outside Malaysia only.

**Developer** – exemption of statutory income from
(a) disposal of rights over land in approved node (until year of assessment 2015); and
(b) rental or disposal of building located in approved node (until year of assessment 2020).

**Development manager** – exemption of statutory income from provision of management, supervisory or marketing services to developers (until year of assessment 2020).
Islamic Banking and Takaful Business

*Incentive:*
Income tax exemption from YA 2007 to 2016 for:

- Islamic banks and Islamic banking units licensed under the Islamic Banking Act 1983 on income from Islamic banking business conducted in international currencies.
- Takaful companies and takaful units licensed under the Takaful Act 1984 on income from takaful business conducted in international currencies.

Islamic stock broking company

*Incentive:*
- Establishment expenditure incurred prior to commencement of an Islamic stock broking business is allowed as deduction provided the company commences business within 2 years from date of approval. Effective for applications received by Securities Commission from 2 September 2006 to 31 December 2015.

Special purpose vehicle (SPV) for Islamic financing

*Eligibility:*
Company established under the Companies Act 1965 or the offshore Companies Act 1990 electing to be taxed under the Income Tax Act 1967 solely for the purpose of complying with Shariah requirement in the issuance of Islamic securities.

*Incentive:*
- SPV is not subject to income tax and not required to comply with administrative procedures under the Income Tax Act, 1967.
- Deduction allowed to the company establishing the SPV for cost of issuance of Islamic bonds. The company is deemed to be recipient of income of SPV and taxed accordingly.
- Deduction for expenses incurred on issuance of Islamic securities approved by the Securities Commission, which are based on Ijarah, Istisna, Mudharabah and Musyarakah is extended until YA 2015.
Commercialisation of resource-based R & D findings

**Eligibility:**
- Companies incorporated in Malaysia and resident for tax purposes
- Investor company should own at least 70% of the equity of the company that commercialises the R & D findings;
- Only resource-based R & D findings are eligible;
- The commercialisation of the R & D findings should be implemented within one year from the date of approval of the incentive; and
- Application made to MIDA received from 11 September 2004

**Incentive:**
- For investor company, tax deduction equivalent to the amount of investment made in subsidiary; and
- For subsidiary company, undertaking the commercialisation of the R & D findings, pioneer status with 100% tax exemption on statutory income for 10 years.

Private higher education institutions

**Eligibility:**
Incurred specified expenses on development of new courses and compliance with regulatory requirements relating to those courses.

**Incentive:**
- Deduction over 3 years.

Health tourism

**Eligibility:**
Health care service providers who are resident in Malaysia offering services to foreign clients in Malaysia.

**Incentive:**
- 100% of the value of increased export can be used to offset up to 70% of the statutory income (YA 2010 to YA 2014).
**Green Building Index (GBI) Certification**

*Eligibility:*
A person (resident in Malaysia) who has obtained a green building index (GBI) certificate issued by the Board of Architects Malaysia from 24 October 2009 until 31 December 2014.

*Incentive:*
- 100% allowance on the qualifying expenditure incurred for the purpose of obtaining the GBI certificate. The allowance is allowed to be set-off against 100% of the statutory income. “Qualifying expenditure” means additional expenditure incurred in relation to construction of a building, alteration, renovation, extension or improvement of an existing building.

**Research & development (R&D)**
Tax incentives to encourage R&D activities include:

<table>
<thead>
<tr>
<th>Type of expenditure/activities</th>
<th>Incentive</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Revenue expenditure incurred on:</td>
<td></td>
</tr>
<tr>
<td>- research relating to own business</td>
<td>Normal deduction</td>
</tr>
<tr>
<td>- approved research</td>
<td>Double deduction</td>
</tr>
<tr>
<td>- research undertaken by a company participating in an approved</td>
<td>Double deduction</td>
</tr>
<tr>
<td>industrial adjustment programme</td>
<td></td>
</tr>
<tr>
<td>• Capital expenditure incurred on buildings used for approved research</td>
<td>Industrial building allowance</td>
</tr>
<tr>
<td>• Contract R&amp;D companies which provide R&amp;D services only to third parties</td>
<td>Pioneer status or Investment tax allowance</td>
</tr>
<tr>
<td>• R&amp;D companies undertaking R&amp;D projects mainly for group companies</td>
<td>Investment tax allowance</td>
</tr>
<tr>
<td>• Approved research companies or institutions undertaking R&amp;D for a</td>
<td>100% exemption of profits before deduction of capital allowances for 5 years</td>
</tr>
<tr>
<td>particular industry</td>
<td></td>
</tr>
<tr>
<td>• Companies undertaking approved in-house R&amp;D projects</td>
<td>Investment tax allowance</td>
</tr>
</tbody>
</table>
TAX INCENTIVES

- Cash contributions to approved research institutions
- Payment for services of:
  - approved research companies or institutions
  - contract R&D companies
  - non-related R&D companies
  - related R&D companies which are not enjoying the ITA incentive

Double Deduction

Double deductions can be claimed for the following expenses:

- Export credit insurance premiums. From YA 2011, this is extended to export credit insurance based on takaful concept.
- Promotional expenditure incurred on seeking opportunities for the export of manufactured products, agricultural produce and services.
- Insurance premiums incurred for the import and export of goods where the risks are insured with an insurance company incorporated in Malaysia.
- Remuneration paid to an employee who is physically or mentally handicapped.
- Freight charges paid by manufacturers exporting rattan and wood-based products (excluding sawn timber and veneer).
- Expenditure incurred by companies on the training of employees under an approved training programme.
- Freight charges incurred by manufacturers for shipping goods from Sabah and Sarawak to Peninsular Malaysia using ports in Peninsular Malaysia.
- Expenditure incurred on advertising Malaysian brand names registered locally or overseas and professional fees paid to companies promoting Malaysian brand names. W.e.f. YA 2007, the deduction is extended to a company within the same group which has incurred the expense, provided that the company is more than 50% owned by the brand name owner.
- Expenses incurred in obtaining recognized quality systems, standards and halal certification (w.e.f. YA 2005).
INCOME EXEMPT FROM TAX

• Allowances paid by a company registered under the Companies Act, 1965 to participants of the Capital Market Graduate Training Scheme for unemployed graduates, for 3 years from the date of certification of the Training Scheme (w.e.f. 2 September 2006).

• Expenses incurred by employers in training their employees in the following fields (w.e.f. YA 2009 to YA 2012):
  (i) post graduate courses in information technology and communication, electronics or life sciences;
  (ii) post basic courses in nursing or allied health care; and
  (iii) aircraft maintenance engineering courses.

• Remuneration for employing local employees who have been retrenched on or after 1 July 2008. The deduction is restricted to RM10,000 per month per employee for 12 consecutive months (w.e.f. YA 2009).

• Expenses incurred in the promotion of Malaysia as an International Islamic Financial Centre (YA 2008 to YA 2015)

INCOME EXEMPT FROM TAX

Income exempt from tax includes:

• **Pensions** paid to a resident person, which is derived from an employment exercised in Malaysia where:
  - the recipient has reached the age of 55 or the compulsory retirement age; or
  - retirement is due to ill health.

• **Death gratuities** or sums received as consolidated compensation for death or injuries.

• **Compensation for loss of employment and payments for restrictive covenants:**
  - fully exempted if due to ill health; or
  - RM10,000 for every completed year of service with the same employer or with companies in the same group if not due to ill health (for persons who lost their employment on or after 1 July 2008).
• **Perquisites** (in cash or in kind) for long service (more than 10 years of employment with the same employer), past achievement or service excellence, innovation, or productivity award up to an amount or value of RM2,000 a year.

• **Interest or discount** accruing to any individual, unit trust and listed closed-end fund or from:
  - bonds or securities issued or guaranteed by the government.
  - debentures or Islamic Securities, other than convertible loan stock, approved by the Securities Commission.
  - Bon Simpanan Malaysia issued by the Central Bank of Malaysia.

• **Interest** income derived by non-resident companies from:
  - securities issued by the Government of Malaysia; or
  - Islamic securities or debentures issued in Ringgit Malaysia, other than convertible loan stocks, approved by the Securities Commission.

• **Interest** or bonus accruing to a resident individual from:
  - deposits in all institutions approved to take deposits.
  - Merdeka bonds issued by the Central Bank of Malaysia.

• **Interest** income derived by non-resident persons:
  - from a bank or finance company licensed under BAFIA or Islamic Banking Act 1983, or any other institution approved by the Minister.

• **Interest** accruing to any person in respect of:
  - bonds issued under the Bon Simpanan Malaysia Siri Kedua (BSM 2) by the Bank Simpanan Nasional.
  - any savings certificate issued by the government.
  - Islamic securities originating from Malaysia, other than convertible loan stock issued in any currency other than Ringgit and approved by Securities Commission or the Labuan Offshore Financial Services Authority, now called Labuan Financial Services Authority (effective from YA 2010).

• **Retirement gratuities are fully exempt:**
  - where the retirement is due to ill health or on, or after reaching the age of 55 or other compulsory age of retirement, from an
employment which has lasted ten years with the same employer or with companies in the same group; or
- upon reaching compulsory retirement age pursuant to an employment contract or collective agreement at the age of 50 but before 55 and that employment has lasted 10 years with the same employer or with companies in the same group (from YA 2007 and subsequent years).

- **Dividends** received by resident individuals from an approved unit trust where not less than 90% of its investment is in Government securities and the remainder is in commercial papers.

- **Dividends** paid, credited or distributed by Co-operative Societies to their members.

- **Foreign income** of any person (other than a resident company carrying on the business of banking, insurance or sea or air transport) arising from sources outside Malaysia and remitted into Malaysia.

- **Royalties** received by an individual resident in Malaysia in respect of:

<table>
<thead>
<tr>
<th>Amount exempted</th>
<th>RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>publication of,</td>
<td>10,000</td>
</tr>
<tr>
<td>or the use of,</td>
<td></td>
</tr>
<tr>
<td>or the right to</td>
<td></td>
</tr>
<tr>
<td>use, any artistic work</td>
<td></td>
</tr>
<tr>
<td>recording discs</td>
<td>10,000</td>
</tr>
<tr>
<td>or tapes</td>
<td></td>
</tr>
<tr>
<td>publication of,</td>
<td>20,000</td>
</tr>
<tr>
<td>or the use of,</td>
<td></td>
</tr>
<tr>
<td>or the right to</td>
<td></td>
</tr>
<tr>
<td>use, any literary work or any original painting</td>
<td></td>
</tr>
<tr>
<td>any musical composition</td>
<td>20,000</td>
</tr>
</tbody>
</table>

- **Royalties** received by non-residents from private institutions of higher learning for franchised educational schemes.

- **Income from employment** on board a ship used in a business of a Malaysian shipping company.

- **Income of a non-citizen individual** from the exercise of an employment in a managerial capacity is exempt to the extent of 50% of gross income from the employment:
  - in a Labuan offshore company (now called a Labuan company), from YA 2005 to 2010.
  - in a Labuan trust company, from YA 2006 to 2010.
• **Income of any person** from the provision of qualifying professional services rendered in Labuan to a Labuan company is exempt to the extent of 65% of the gross amount of the income for the YA 2005 to YA 2010.

• **Housing and Labuan Territory allowance** received by a citizen from an employment with the Federal or State government, a statutory body or offshore company (exempt to the extent of 50% of gross allowance) from YA 2006 to 2010.

• **Director's fees** received by a director of an offshore company in Labuan, who is a non-Malaysian citizen, for YA 2007 to 2010.

• **Income of an approved unit trust** where not less than 90% of its investment is in Government securities and the remainder is in commercial papers.

• **Income arising from transactions made under a Securities Borrowing and Lending Agreement** accruing to a borrower and a lender arising from a loan of securities listed on the KLSE and the return of the same or equivalent securities and, the corresponding exchange of collateral, in respect of a securities borrowing and lending transactions (excludes dividends, lending fees, interest earned on collateral and rebates).

• **Income received by non-residents** from renting containers to shipping companies in Malaysia.

• **Income received by non-resident experts** who provide technical training services in the following fields (w.e.f. 30 August 2008 until 31 December 2012):
  (i) post graduate courses in ICT, electronics and life sciences;
  (ii) post basic courses in nursing and allied health care; and
  (iii) aircraft maintenance engineering courses.

• **Subscription fees** received by trade associations.

• **Income of a political association.**

• **Income from a grant or subsidy** given by the Federal or State government.

• **Charges** collected (under the relevant statutory provisions) by a statutory authority, and donations received by a statutory authority.
• Fees or honorarium for validation and other services relating to educational programmes in higher educational institutions which are verified by the National Accreditation Board.

• Income related to scientific research which has been commercialised and verified by the Ministry of Science, Technology & Environment. Exemption of 50% of such income for 5 years from the date of receipt.

• Income of qualifying persons derived from the qualifying activity (defined) which includes the maintenance of cemeterial ground, religious or cultural and traditional ceremony and the purchase of new cemeterial ground.

• Income of non-profit oriented Government assisted and private schools (defined) including schools formed by a body of persons, a trust body or a company limited by guarantee (from YA 2008 and subsequent years).

REAL PROPERTY GAINS TAX

Charge to tax
Real property gains tax (RPGT) is a form of capital gains tax. RPGT is charged on gains arising from the disposal of real property which is defined as:

• any land situated in Malaysia and any interest, option or other right in or over such land; or

• shares in a real property company (RPC).

Disposals of chargeable assets between 1 April 2007 and 31 December 2009 are not subject to RPGT. From 1 January 2010, RPGT is re-imposed at the rate of 5% on gains arising from disposals of chargeable assets in respect of real properties that are disposed within 5 years of their acquisition.

Real property company
A RPC is a controlled company holding real property or shares in another RPC as a major asset (i.e. defined value not less than 75% of the value of its total tangible assets).
Chargeable persons
Every person whether or not resident in Malaysia is chargeable to RPGT in respect of any gains accruing on the disposal of real property or RPC shares in Malaysia.

Withholding of RPGT
With effect from 1 January 2010, an acquirer of chargeable asset must withhold 2% of the total value of the acquisition price to be paid to the Inland Revenue Board within 60 days from the date of disposal.

Exemptions
The following are some exemptions from RPGT that are available:
- an amount of RM10,000 or 10% of the chargeable gain, whichever is greater, accruing to an individual (w.e.f 1 January 2010);
- gain arising on disposal as a result of compulsory acquisition of property under law;
- gain accruing to the government, State government, or a local authority;
- gain accruing to an individual who is a citizen or a permanent resident in respect of the disposal of one private residence;
- gift made to the government, State government, local authority or approved charity;
- disposal of assets in connection with securitization of assets from 1 January 2001;
- gain arising from disposal of real property to Real Estate Investment Trusts and Property Trust Funds approved by the Securities Commission (SC);
- gain arising from disposal of chargeable asset pursuant to a scheme of financing approved by the Central Bank or the SC as a scheme which is in accordance with the principles of Syariah.

SERVICE TAX
Basis of taxation
Service tax is a consumption tax levied and charged on any taxable service provided by any taxable person.
Service tax will be replaced with a single broad based Goods and Services Tax (GST), on a date to be announced.

**Rate of tax**
The rate of service tax is 5% ad valorem. Under Budget 2011, the 5% ad valorem rate of service tax is proposed to be increased to 6% effective from 1 January 2011. This tax is levied on all taxable services, except for the provision and issuance of charge or credit card, the service tax is as follows:-
(i) RM50 per year on the principal card; and
(ii) RM25 per year on the supplementary card.

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

**Taxable person/licensing**
Any taxable person who carries on business of providing taxable service must apply for a licence, and the term “person” includes an individual, a firm, a society, an association, a company and every other juridical person. No fee is payable for the issuance of a licence.

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

**Taxable person**

<table>
<thead>
<tr>
<th>Annual sales turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>RM</td>
</tr>
<tr>
<td>-----------------------</td>
</tr>
<tr>
<td>*</td>
</tr>
</tbody>
</table>

1. Operators of hotels with more than 25 rooms (subject to some exclusions)
2. Operators of restaurants, bars, snack-bars, coffee houses or places located in hotels with more than 25 rooms, providing food, drinks and tobacco products wholly eat-in or partly take-away

*
3. Operators of restaurants, bars, snack-bars, coffee houses or places located in hotels with 25 rooms or less, providing food, drinks and tobacco products wholly eat-in or partly take-away

4. Operators of restaurants, bars, snack-bars, coffee houses or places located outside hotels, providing food, drinks and tobacco products wholly eat-in or partly take-away (subject to some exclusions) (Effective 1 July 2008)

5. Operators of food courts

6. Operators of night-clubs, dance halls and cabarets

7. Operators of approved health-centres and massage parlours

8. Operators of 1st, 2nd or 3rd Class Public House and 1st or 2nd Class Beer House

9. Operators of private clubs

10. Operators of golf course or golf driving range (including operators of private clubs having total annual sales turnover of RM300,000 or less or any hotel having 25 or less rooms)

11. Licensed private hospitals

12. Insurance companies

13. Any person providing communication services who is registered under the Communications And Multimedia Act 1998 or licensed under the Communications and Multimedia (Licensing) Regulations 2000

14. Any person who is given permission to act as agent for transacting business relating to the
<table>
<thead>
<tr>
<th>Service Description</th>
<th>Annual Sales Turnover (RM)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>15.</strong> Any person who is licensed under section 65 or 65E of the Customs Act 1967 and who is also given permission to act as an agent for transacting business relating to the import or export of any goods or luggage that is stored in the licensed warehouse or inland clearance depot</td>
<td>*</td>
</tr>
<tr>
<td>16. Operators of parking space for motor vehicles</td>
<td>150,000</td>
</tr>
<tr>
<td>17. Courier-services companies</td>
<td>150,000</td>
</tr>
<tr>
<td>18. Operators of motor vehicles service and/or repair centres</td>
<td>150,000</td>
</tr>
<tr>
<td>19. Licensed private agencies</td>
<td>150,000</td>
</tr>
<tr>
<td>20. Employment agencies</td>
<td>150,000</td>
</tr>
<tr>
<td>21. Hire-and-drive car and hire-car service companies</td>
<td>300,000</td>
</tr>
<tr>
<td>22. Advertising companies</td>
<td>300,000</td>
</tr>
<tr>
<td>23. Public Accountants</td>
<td>**</td>
</tr>
<tr>
<td>24. Advocates and Solicitors</td>
<td>**</td>
</tr>
<tr>
<td>25. Professional Engineers</td>
<td>**</td>
</tr>
<tr>
<td>26. Architects</td>
<td>**</td>
</tr>
<tr>
<td>27. Licensed or Registered Surveyors/Registered Valuers, Appraisers and Estate Agents</td>
<td>**</td>
</tr>
<tr>
<td>28. Consultants (subject to some exclusions)</td>
<td>**</td>
</tr>
<tr>
<td>29. Management companies</td>
<td>**</td>
</tr>
<tr>
<td>30. Any person who is regulated by Bank Negara Malaysia and provides credit card or charge card services through the issuance of a credit card or a charge card</td>
<td>*</td>
</tr>
</tbody>
</table>

* No threshold
** No threshold effective 1 January 2008
Taxable services
Taxable services include the provision of rooms for lodging/sleeping accommodation, health services, certain professional services, certain telecommunication services including bandwidth services and certain value added services, management services, security services, provision of parking space, provision of golf course, golf driving range or services related to golf or golf driving range, courier delivery services (other than to destinations outside Malaysia), provision and issuance of charge card or credit card whether or not annual subscription or fee is imposed and the sale or provision of food, drinks and tobacco products.

Under Budget 2011, it is proposed that paid broadcasting services be subjected to service tax, effective from 1 January 2011.

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

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

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

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

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

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

Sales tax will be replaced with a single broad based Goods and Services Tax (GST), on a date to be announced.

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

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

<table>
<thead>
<tr>
<th>Class of goods</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fruits, certain foodstuff, timber and building materials</td>
<td>5</td>
</tr>
<tr>
<td>Cigarettes and tobacco</td>
<td>5</td>
</tr>
<tr>
<td>Liquor and alcoholic drinks</td>
<td>5</td>
</tr>
<tr>
<td>All other goods, except petroleum subject to specific rates and goods not specifically exempted</td>
<td>10</td>
</tr>
</tbody>
</table>

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

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

**Licensing**

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

**Exemption from licensing**

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

In addition, certain manufacturing operations are also exempted from the licensing requirements. They include the developing and printing of photographs and production of film slides, preparation of ready-mixed concrete, repacking of bulk goods, repair of second hand goods and the installation of air conditioners in motor vehicles.
**Tax-free raw material**
In order to maintain the single-stage concept, there are facilities available to allow for inputs (raw materials and components) to be imported or acquired free of sales tax by a licensed manufacturer for use in the manufacturing process.

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

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

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

**IMPORT DUTIES**

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

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

**Value of goods**
The value of goods for the purpose of computing import duties is determined largely in accordance with the World Trade Organisation (WTO) principles of customs valuation.

**Exemptions**
Exemptions are available (subject to conditions) in respect of import duties on:

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

The manufacturers are required to apply to the relevant authorities for exemption.

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

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

**FREE ZONE**
A free zone is deemed to be a place outside Malaysia. Subject to certain exclusions, goods and services can be brought into or provided in free zones without payment of customs duties, excise duties, sales tax and service tax.
FREE TRADE AGREEMENTS

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

- ASEAN Free Trade Agreement
- ASEAN China Free Trade Agreement
- ASEAN Korea Free Trade Agreement
- Malaysia-Pakistan Closer Economic Partnership
- Malaysia-Japan Economic Partnering Agreement
- ASEAN-Australia-New Zealand Free Trade Agreement
- ASEAN-Japan Comprehensive Economic Partnership
- ASEAN-India Trade in Goods Agreement
- Malaysia-Chile Free Trade Agreement

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

EXPORT DUTIES

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

EXCISE DUTIES

Basis of taxation

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

Rates of duties

The rates of excise duties vary from a composite rate of 10 sen per litre and 15% for certain types of spirituous beverages, to as much as 105% for motorcars (depending on engine capacity).
Licensing
Unless exempted from licensing, a manufacturer of tobacco, intoxicating liquor or goods subject to excise duties must have a licence to manufacture such goods.

A warehouse licence is required for storage of goods subject to excise duty. However, a licence to manufacture tobacco, intoxicating liquor or goods subject to excise duty also permits the holder to store such goods.

Payment of duty
As a general rule, duty is payable at the time the goods leave the place of manufacture. However, for motor vehicles, duty is payable at the time the vehicles are registered with the Road Transport Department.

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

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

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

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

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

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

• Properties (other than shares or marketable securities)

<table>
<thead>
<tr>
<th>Value</th>
<th>Rate</th>
<th>Duty payable</th>
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<tr>
<td>RM</td>
<td>RM</td>
<td>RM</td>
</tr>
<tr>
<td>On the first</td>
<td>RM1 per RM100</td>
<td>1,000</td>
</tr>
<tr>
<td>100,000</td>
<td>or part thereof</td>
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</tr>
<tr>
<td>On the next</td>
<td>RM2 per RM100</td>
<td>8,000</td>
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<tr>
<td>400,000</td>
<td>or part thereof</td>
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</tr>
<tr>
<td>500,000</td>
<td></td>
<td>9,000</td>
</tr>
</tbody>
</table>

• Shares

RM3 for every RM1000 or any fraction thereof based on consideration, or value whichever is greater. The Stamp Office generally adopts one of the 4 methods for valuation of ordinary shares for purposes of stamp duty:
- price earnings ratio;
- net tangible assets;
- sale consideration; and
- par value.

• Services Agreements and Equipment Lease Agreement

Stamp duty of 0.5% on the value of the services/lease

Stamping

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

Penalty

The penalty imposed for late stamping varies based on period of delay.

Relief/Exemption/Remission from stamp duty

Exemption, remission or relief of stamp duty may be available:
• where shares and undertakings are transferred under a scheme of reconstruction or amalgamation of companies and certain prescribed conditions are satisfied;
STAMP DUTY

- on the transfer of assets between associated companies, where either company owns 90% or more of the other company, or where a third company owns 90% or more of both associated companies and certain prescribed conditions are satisfied;
- for refinancing of loans for business purposes to the extent of the duty that would be payable on the balance of the principal amount of the existing term loan;
- for securitisation of assets from 1 January 2001;
- for offers to subscribe for, or the issue and transfer of debentures approved by the Securities Commission;
- for transfer of securities listed on MESDAQ in respect of a borrowing and lending transaction made under a Securities Borrowing and Lending Agreement;
- for instruments of the Asset Sale Agreement or the Asset Purchase Agreement, or Asset Lease Agreement executed between a customer and a bank made under the principles of the Syariah law for the purpose of renewing any Islamic revolving financing facility or Islamic overdraft financing facility provided that the instrument for the existing Islamic revolving financing facility or the Islamic overdraft financing facility has been duly stamped;
- for instruments of Asset Sale Agreement or Asset Lease Agreement executed between a customer and a financier made under the principles of the Syariah law for the purpose of rescheduling or restructuring any existing Islamic financing facility. The stamp duty is remitted to the extent of the duty that would be payable on the balance of the principal amount of the existing Islamic financing facility provided that the instrument for the existing islamic financing facility had been duly stamped;
- for certain contract notes relating to the sale of any shares, stock or marketable securities which are listed on a stock market of a stock exchange between a local broker and a foreign investor or an authorised nominee on behalf of a foreign broker is remitted to the extent of stamp duty in excess of RM200.00;
- for transfers of immovable property between specified family members (remission of 50% of stamp duty chargeable on the instrument of transfer). From 8 September 2007, 100% exemption for transfers between husband and wife;
- for specified instruments executed in connection with the purchase of certain low cost houses;
• for instruments to secure a loan not exceeding RM10,000 made in accordance with principles of conventional or Islamic banking granted by Bank Pertanian Malaysia for financing agricultural based project;

• for loan instruments in respect of loans not exceeding RM50,000 given under the Micro Credit Scheme that are executed between the borrower and Bank Simpanan Nasional or Bank Pertanian Malaysia;

• for securities in companies not listed or removed from the list on the KLSE executed in favour of the Malaysian Central Depository Sdn Bhd (MCD) or the beneficial interest of such securities not listed or removed from the list of KLSE held for the account of the transferor by the MCD;

• instruments of deed of assignment for transfer of real property to Real Estate Investment Trust or a Property Trust Fund approved by the Securities Commission;

• instruments relating to the purchase of property by any financier for the purpose of leaseback under the principles of Syariah;

• for instruments executed pursuant to a scheme of financing approved by the Central Bank, the Labuan Financial Services Authority, or the Securities Commission as a scheme which is in accordance with the principles of Syariah, where such instrument is an additional instrument strictly required for the purpose of compliance with those principles but which will not be required for any other schemes of financing. This took effect from 11 September 2004.

• for mergers and acquisitions of companies listed on Bursa Malaysia where the instruments are executed not later than 31 December 2011.

• for instruments executed pursuant to a scheme of transfer of the Islamic banking business and/or the Islamic financial business by a licensed institution to its related corporation licensed or to be licensed under the Islamic Banking Act 1983 provided that such scheme of transfer has been approved by the Minister of Finance on the recommendation of the Central Bank of Malaysia.

• for Sale and Purchase Agreement executed on or after 24 October 2009 but no later than 31 December 2014 for the purchase of residential property which has been issued with a green building index certificate, by the Board of Architect Malaysia. The stamp duty exemption applies to instruments executed between a purchaser who is the first owner of the said property and a housing developer or property developer. The amount of exemption is on the amount of
cost which constitutes part of the cost of a property pursuant to the purchase of that property which has been issued with a green building index certificate, by the Board of Architect Malaysia.

- 20% stamp duty remission on instruments used in Islamic financing for the period from 2 September 2006 till 31 December 2009. This remission is further extended until 31 December 2015.
- instruments of service agreement executed from 15 September 2009 to 31 December 2010 will be subject to stamp duty of up to RM50 only and the excess duty will be remitted.
- for instruments executed by BNM Sukuk Berhad in relation to the issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase, the Sukuk Bank Negara Malaysia-Ijarah and the transfer of such securities.
- for instruments executed pursuant to an approved scheme of merger or acquisition between a Bio Nexus status company and a biotechnology company (only where merger or acquisition is performed between 2 September 2006 and 31 December 2011).
- 50% remission for instruments of transfer for purchase of a house not exceeding RM250,000 executed between 8 September 2007 and 31 December 2010 (only one house per individual).
- for sale and purchase agreements executed from 1 January 2011 to 31 December 2012, remission of 50% is given on instruments of transfer for the purchase of first residential property by a Malaysian citizen at a price not exceeding RM350,000.
- for instruments relating to mergers of vendors licensed by Petronas referred to as “Vendor Petronas Merger Scheme” which are executed on or after 8 September 2007 until 31 December 2010.
- 50% remission on loan agreement instruments for purchase of residential properties up to RM250,000 for sale and purchase agreements executed between 30 August 2008 and 31 December 2010. This exemption is available for individual Malaysian citizens and is limited to one residential property only.
- for sale and purchase agreements executed from 1 January 2011 to 31 December 2012 for the purchase of first residential property by a Malaysian citizen at a price not exceeding RM350,000, remission of 50% is given on the loan agreement instrument executed to finance the purchase of the residential property.
Strong broad-based economic recovery, but moderating with global economic slowdown

Malaysia’s GDP is anticipated to expand by 7.0% in 2010. In the first half of 2010, the economy grew at a rapid pace of 9.5% but expected to be slow and uneven in the second half with the economic slowdown in advanced economies. Going forward, economic growth remains sturdy, with GDP expanding between 5.0 to 6.0%, mainly driven by domestic demand and a favourable external sector.

On the trade front, the global economic recovery and strong intra-Asia trade, in combination with buoyant domestic activities, led Malaysian trade to expand by 18.7% to surpass RM1 trillion. Exports of goods are forecast to increase by 16.5% to RM644.8 billion and imports at a faster pace of 21.6% to RM528.7 billion. Consequently the trade surplus, is anticipated to narrow marginally, but remains large at RM116.1 billion or 15.0% of GDP.

Exports of manufactured goods which accounted for 77.3% of total exports are expected to grow by 16.5% to RM498.4 billion (2009: -13.6%; RM427.8 billion), largely attributed to the increase in demand for E&E products. Exports of agricultural commodities are expected to expand by 24.9% to RM60.4 billion (2009: -24.8%; RM48.4 billion) with higher export volume and prices. Similarly, higher export volume and prices of crude petroleum and liquefied natural gas are expected to see a 22.4% rebound to RM70.5 billion (2009: -33.6%; RM57.6 billion).
Continued surplus in current account and strengthened net international reserves

Amid the global recovery, Malaysia’s overall balance of payments is expected to remain favourable with the current account in surplus for the 13th consecutive year. However, the current account surplus is expected to narrow to RM103.8 billion or 13.8% of GNI in 2010 (2009: RM112.1 billion; 16.9%) due to the faster pace of imports of goods and larger net outflow in the income account.

While the goods account is expected to record a significant surplus of RM145.9 billion in 2010 (2009: RM141.7 billion) with the strong expansion in global trade, the services account is estimated to post a marginal surplus of just RM0.5 billion (2009: RM4.7 billion) with higher gross payments in the transportation account, largely due to higher fuel and freight charges.
Malaysia’s net international reserves remained strong at RM310.8 billion (US$ 100.7 billion) as at end September 2010 (end-December 2009: RM331.3 billion or US$ 96.7 billion). The reserves level is adequate to finance 8.5 months of retained imports and is 4.3 times the short-term external debt.

**Contained inflationary pressures**

Inflation is expected to be reasonably contained, at between 2.0% and 2.5% in 2010. Inflation, as measured by changes in the CPI (2005=100), increased at a slower pace of 1.5% in the first eight months of 2010. The increase in CPI was largely contributed by price increases in the food and non-alcoholic beverages, housing and utilities (water, electricity, gas and other fuels), as well as transport.
ECONOMIC INDICATORS AND DIRECTIONS

Chart 3: Consumer Price Index - Malaysia

Notes: Effective January 2006, the Consumer Price Index (CPI) was rebased to 2005 with nine existing groups reclassified into twelve groups in order to reflect changes in household expenditure pattern. The three new groups are transport, communication and education.

Broad-based growth with strongest growth in the manufacturing sector

Supported by a favourable domestic and external sector, all sectors are anticipated to register growth in 2011.

Strongest growth is expected in the manufacturing sector, with growth estimated at 6.7% in 2011 (2010: 10.8%).

The services sector is expected to grow by 5.3% (2010: 6.5%), led by the wholesale and retail trade, communications, as well as finance and insurance sub-sectors.

The agriculture sector is expected to grow by 4.5% in 2011 (2010: 3.4%), with main contribution from palm oil and rubber, and high impact integrated agricultural projects.
Growth in the construction sector is anticipated to expand by 4.4% in 2011 (2010: 4.9%), supported by the completion of ongoing projects, and the implementation of new projects in the growth corridors.

The mining sector is expected to grow by 2.9% in 2011 (2010: 1.0%) due to higher production of natural gas. Natural gas output is expected to increase further by 6.1% with higher global demand, particularly from China and India.

**Chart 4: Sectoral Growth - Malaysia**

Source: Economic Report
Compiled by: PricewaterhouseCoopers, Malaysia

FINANCIAL REPORTING

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

There is a two-tier reporting framework for companies in Malaysia which took effect for annual periods beginning on or after 1 January 2006 as follows:

<table>
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<th>Type of entities</th>
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<td>1) Entities other than private entities</td>
<td>Financial Reporting Standards (FRS) - see section A</td>
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<tr>
<td>2) Private entities</td>
<td>Private Entity Reporting Standards (PERS) - see section B</td>
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Private entities are defined as private companies incorporated under the Companies Act 1965 that:

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

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

The meaning of ‘subsidiary’, ‘associate’ and ‘jointly controlled’ are as respectively defined as and explained in FRS 127 “Consolidated and Separate Financial Statements”, FRS 128 “Investments in Associates” and FRS 131 “Interest in Joint Ventures”.

An entity may only be treated as a private entity in relation to such annual periods or interim periods throughout which it is a private entity.

Private entities shall comply with either:-

- PERS in their entirety; or
- FRS in their entirety.

MASB announced on 1 August 2008 that by 1 January 2012, all approved accounting standards applicable to entities other than private entities will converge fully with IFRS. MASB is considering whether to adopt the IFRS for Small and Medium Enterprises (‘SMEs’) standard.
A. List of MASB approved accounting standards, interpretations, exposure drafts and draft IC interpretations for entities other than private entities as at 15 September 2010.

Financial Reporting Standards issued by MASB

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<td>Amendments to FRS 1 First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</td>
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<td>FRS 4</td>
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<td>1 Sept 1998</td>
</tr>
<tr>
<td></td>
<td>2004</td>
<td></td>
</tr>
</tbody>
</table>

Note: MASB denoted subscript “2004” to standards issued prior to 1 January 2005. These standards are in force until they are revised and superseded by another FRS.
IC Interpretations (ICI)

<table>
<thead>
<tr>
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<th>Effective date</th>
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# B. List of MASB approved accounting standards and exposure drafts for private entities as at 15 September 2010

## MASB Standards issued by MASB

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<td>MASB 4 <em>Research and Development Costs</em></td>
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<td>MASB 5 <em>Cash Flow Statements</em></td>
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<td>MASB 15 <em>Property, Plant and Equipment</em></td>
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<td>MASB 16 <em>Financial Reporting of Interest in Joint Ventures</em></td>
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<td>MASB 19 <em>Events After the Balance Sheet Date</em></td>
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EMployees’ provident fund

Standards

MASB 27 Borrowing Costs 1 Jan 2006
MASB 28 Discontinuing Operations 1 Jan 2006
MASB 29 Employee Benefits 1 Jan 2006
MASB 30 Accounting and Reporting by Retirement Benefit Plans 1 Jan 2006
MASB 31 Accounting for Government Grants and Disclosures of Government Assistance 1 Jan 2006
MASB 32 Property Development Activities 1 Jan 2006
IAS 25 Accounting for Investments 1 Jan 2006
IAS 29 Financial Reporting in Hyperinflationary Economics 1 Jan 2006
MAS 5 Accounting for Aquaculture 1 Jan 2006
IB-1 Preliminary and Pre-operating Expenditure Effective from date of issue (December 2000)

Exposure draft

ED 52 Private Entity Reporting Standards (PERS) 15 Sep 2006

EMPLOYEEs’ PROVIDENT FUND

Scope of EPF

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

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

The statutory rates of contributions are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Malaysian citizens and permanent residents (mandatory)</th>
<th>Expatriates and foreign workers **</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of contribution of employee’s wages (minimum)</td>
<td>Employer</td>
<td>Employee</td>
</tr>
<tr>
<td>Till age 55</td>
<td>12%</td>
<td>8% *</td>
</tr>
<tr>
<td>Age 56 till 75 (from 1 February 2008)</td>
<td>6% ***</td>
<td>5.5% ***</td>
</tr>
</tbody>
</table>

* The new rate is effective for 2 years from 1 January 2009. Members may elect to maintain their 11% contribution. From 1 January 2011, the rate will revert to 11%.

** Not required to contribute to EPF, but can elect to contribute

*** Exceptions:

EPF monthly rate of contributions is maintained at 12% (employer’s share) and 8% (employee’s share) under the following circumstances:

i. Employees who have attained the age of 55 years before 1 February 2008 and have not made 55 years withdrawal before 1 February 2008;

ii. Employees who have made 55 years withdrawal before 1 February 2008 and have elected to re-contribute to EPF before 1 February 2008.

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

Members’ accounts

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

<table>
<thead>
<tr>
<th>Account</th>
<th>% of contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>for retirement purposes at age 55</td>
</tr>
<tr>
<td>II</td>
<td>for housing, education, medical and withdrawal at age 50</td>
</tr>
</tbody>
</table>
Withdrawals
EPF members are entitled to withdraw the full amount of contributions:
- upon the death of the member (withdrawal made by beneficiary(ies));
- on attaining the age of 55 years;
- if the member is prevented from engaging in any further employment by reasons of physical or mental incapacitation;
- for those expatriates/foreign workers who have contributed under the mandatory obligation which has been abolished with effect from August 2001;
- on leaving Malaysia permanently (for non-Malaysian or Malaysian citizens who have revoked or renounced their citizenships);

Under Account 2, members are entitled to withdraw for:-
- the purchase or construction of a residential house or for purposes of reducing a housing mortgage on satisfying the prescribed conditions;
- on attaining the age of 50 years;
- purchase of a second house on condition that the first house is sold;
- reduction or settlement of housing loan balance;
- for housing loan repayment (withdrawal on a monthly basis) for one house;
- setting aside part of savings to enable member to obtain a higher housing loan amount under the flexible housing withdrawal scheme;
- further education for self and children’s tertiary education;
- medical expenses incurred for the treatment of critical illnesses for themselves and their families;

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

Members at any time before reaching 55 years can make the withdrawal from savings exceeding RM1 million, subject to a minimum of RM100,000 at every interval of 3 months.

Members who have reached 55 years and have not withdrawn all of their savings, can withdraw the annual dividend of their savings.
Effective 1 February 2008, members can invest not more than 20%, (subject to minimum withdrawal of RM1,000 at 3 months interval) of their credit in excess of Basic Savings in Account 1 in approved external fund. The required Basic Saving in Account 1 varies according to age, ranging from a minimum of RM1,000 for members at age 18 to RM120,000 at age 55.

**EMPLOYMENT GUIDELINES**

**Guidelines for employment of expatriates**

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

- Manufacturing
- Manufacturing related services – Regional Office, Operational Headquarters, Overseas Mission, International Procurement Centre, etc
- Hotel and tourism industry
- Research and Development

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

- For manufacturing companies with foreign paid up capital of:
  - (a) USD2 million and above:
    - Automatic approval for up to 10 expatriate posts including 5 key posts, (top management post) for durations of up to 10 years for executive posts and 5 years for non-executive posts.
  - (b) above USD200,000 but less than US$2 million:
    - Automatic approval for up to 5 expatriate posts including at least 1 key post (top management post), for durations of up to 10 years for executive posts and 5 years for non-executive posts.
  - (c) less than USD200,000:
    - Consideration is given (based on merits of each case) for key posts where foreign paid-up capital is at least RM500,000. Time/Term posts can be considered for up to 10 years for
executive posts requiring professional qualifications and experience and 5 years for non-executive posts that require technical skills and experience.

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

Other approving agencies for expatriate post:-

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

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

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

<table>
<thead>
<tr>
<th>Company Type</th>
<th>RM</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% Malaysian owned company</td>
<td>250,000</td>
</tr>
<tr>
<td>Malaysian and Foreign owned company</td>
<td>350,000</td>
</tr>
<tr>
<td>100% Foreign owned company</td>
<td>500,000</td>
</tr>
</tbody>
</table>

On 15 July 2010, the Immigration Department announced that automatic approval will be given for expatriates with salaries of more than RM8,000 per month. Applications must be made to the Director of Employment Pass Unit.
Employment of foreign workers

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

Employment of foreign workers are allowed in the manufacturing, construction, plantation, agricultural, domestic help sectors and 11 services sub sectors i.e. restaurants, cleaning services, launderette, cargo handling, golf caddy, barber, wholesale/retail, metal/scrap/recycle activities, textiles, welfare homes and hotel/resort island.

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

Nationals of

- Indonesia, Cambodia, Laos, Myanmar, Nepal, Pakistan, Philippines (male only), Sri Lanka, Thailand, Vietnam, Turkmenistan, Uzbekistan, Kazakhstan
- India

Approved Sector

- Manufacturing, construction, plantation, agricultural and services sectors
- Services (cooks, wholesale/retail, barber, metal/scrap/recycle, textile); Construction (fixing of high voltage cable only); Agriculture; and Plantation

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

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

EMPLOYEES’ SOCIAL SECURITY FUND

Scope of SOCSO

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

- Employment Injury Insurance Scheme
- Invalidity Pension Schemes.
These schemes are aimed at providing cash and medical benefits to employees in case of temporary or permanent disablement/invalidity, death and employment injury, including occupational diseases.

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

Rates of contributions

The rates of contributions are as follows:

- The first category (Employment Injury Insurance Scheme and Invalidity Pension Scheme) of contribution is by both the employer and employee, restricted to a maximum of RM51.65 and RM14.75 respectively.
- The second category (Employment Injury Insurance Scheme only) of contribution is solely by the employer for an employee who is not eligible for coverage under the Invalidity Pension Scheme, restricted to a maximum of RM36.90.

Employees who earn more than RM3,000 and who have never registered nor contributed may choose to register and contribute, provided that both employer and employee are agreeable.

HUMAN RESOURCE DEVELOPMENT FUND (HRDF)

Scope of HRDF

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

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

<table>
<thead>
<tr>
<th>Type of activity</th>
<th>No. of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>50 or more</td>
</tr>
<tr>
<td>Manufacturing with a paid-up capital of RM2.5 million</td>
<td>10 to 49</td>
</tr>
</tbody>
</table>
HUMAN RESOURCE DEVELOPMENT FUND (HRDF)

Type of activity

- Manufacturing with a paid-up capital of less than RM2.5 million
- Service sector (hotel industry, air transport services, tour operators and travel agencies, telecommunications, freight forwarders shipping, postal/courier services, advertising, computer services, energy, training, higher education, direct selling, port services, engineering support and maintenance services, research & development, warehousing services, security services, private hospital services)
- Service sector (hypermarket, supermarket and departmental store services)

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

Rate of contribution

- Up to 31 March 2009: 1% of employees’ monthly wages on a monthly basis
- 1 April 2009 to 31 March 2011:
  - 0.5% for all employers (except for employers in industries below);
  - employers in textile, electrical and electronic industries exempted from levy payment for 6 months from 1 February 2009. From 1 August 2009 to 31 March 2011, levy to be paid at the rate of 0.5%.
  - small employers in manufacturing sector exempted from levy payment for this period.
Financial assistance
An employer who has paid the levy upon registration is eligible to receive financial assistance at rates ranging from 50% to 100% of the allowable costs incurred for the purpose of training employees under various training schemes including the following:
- SBL (Skim Bantuan Latihan) and Special SBL Scheme;
- PROLUS (Program Latihan yang Diluluskan);
- PLT (Pelan Latihan Tahunan);
- PERLA (Perjanjian Latihan Dengan Penyelia Latihan);
- Computer-based training Scheme (Software Development);
- Apprenticeship Training Schemes;
- Joint Training Scheme;
- Information Technology and Computer - Aided Training;
- Purchase of Training Equipment and Setting Up of Training Room Scheme;
- English Language Programmes for workers under the HRDF;
- SME On-The-Job Training
- SME Training Partners Scheme (SMETAP)
- Accreditation of prior achievement scheme (APA)

FOREIGN EQUITY GUIDELINES
Manufacturing sector
Equity holdings in all manufacturing projects is fully liberalised effective from 17 June 2003. Foreign investors can hold 100% equity in all investment in new projects and investments in expansion or diversification projects by existing companies. This is regardless of the level of export and without any product/activity being excluded.

However, any equity and export conditions imposed on companies prior to 17 June 2003 will be maintained. There will be some flexibility given and companies can request for removal of these conditions depending on the merit of each case.
Other sectors
Prior to 30 June 2009, under the revised Guidelines For The Acquisition of Interests, Mergers and Take-overs by Local and Foreign Interests, issued by the Foreign Investment Committee (FIC) which took effect from 1 January 2008, a basic condition that must be complied with is Bumiputra equity of at least 30%, with the remaining equity allowed to be held by either foreign or local interests or jointly by foreign and local interest. However, on 30 June 2009, the Prime Minister announced that the Guideline was repealed with effect from that date.

Liberalisation measures
The following liberalization measures were announced by the Prime Minister in 2009:

- **22 April 2009** - Liberalization of 27 services sub-sectors, with no equity condition imposed. These sub-sectors are in the area of health and social services, tourism services, transport services, business services and computer and related services.

- **29 April 2009** - Further liberalization of the financial services sector, including the raising the limit on foreign equity ownership of investment banks, Islamic banks, insurance companies and takaful operators from 49% to 70%.

- **30 June 2009** - Repeal of the FIC Guideline with effect from that date. However any equity conditions forming part of the licensing requirements imposed by the relevant sector regulators will still remain. The government’s target of 30% Bumiputra equity ownership will now be maintained at the macro level instead of the equity ownership at firm level.

With respect to listing requirements, the requirement to have direct 30% Bumiputra equity upon floatation as imposed by the Securities Commission has similarly been abolished. However, the percentage of the allocation of the 25% public spread to the list of Bumiputra investors recognised by the Ministry of International Trade and Industry (MITI) has been increased from 30% to 50%.
EXCHANGE CONTROL

Remittances abroad

- A resident is freely permitted:
  - To make payment in Ringgit (to be converted when remitting abroad) to a non-resident for any purpose other than for international trade of goods and services or for investments abroad. Payment in Ringgit is however permitted for international trade in goods and services provided payments are made or receipts are received through the non-resident’s external account.
  - To make payment in foreign currency to a non-resident for any purpose and for settlement of import of goods and services.
  - Investments abroad in foreign currency assets are subject to the following:
    - A resident, individual or company, without domestic Ringgit credit facilities is free to invest any amount abroad.
    - Ability to invest any amount abroad from conversion of Ringgit up to RM50 million per annum (on corporate group basis) for corporations with domestic credit facilities. No limit if funded by own foreign currency funds maintained onshore or offshore.
    - Ability to invest any amount abroad from conversion of Ringgit up to RM1 million per annum for individuals with domestic credit facilities. No limit if funded by own foreign currency funds maintained onshore or offshore.
  - To hedge with licensed onshore banks to buy or sell foreign currency against Ringgit or another foreign currency to make payment to non-resident for the purpose of:
    - international trade in goods and services;
    - hedging foreign currency exposure of permitted investment abroad;
    - committed capital inflow or outflow of funds.

- Prior permission of the Controller of Foreign Exchange (Controller) is required:
  - for a resident:
    - to pay any amount in Ringgit to a non-resident for international trade in goods and services if settlement is not through the non-resident’s external account;
- to make payment to a non-resident for any derivative products or futures not transacted at an exchange in Malaysia;
- to convert ringgit into foreign currency exceeding RM50 million (for companies) and RM1 million (for individuals) per year for investment abroad. This applies to companies and individuals with domestic borrowings. Companies and individuals with no domestic borrowings are free to invest abroad;
- to make payment in foreign currency to another resident, other than:-
  • payments for education or employment overseas; or
  • repayment of foreign currency credit facilities obtained from licensed banks or licensed merchant banks; or
  • payments for futures denominated in foreign currency traded on the MDEX; or
  • payments to purchase approved foreign currency investment products offered onshore; or
  • payments by all International Islamic banks, International Takaful Operators and International Currency Business Units of licensed onshore banks, takaful operators or retakaful operators for financial services rendered by resident intermediaries to these institutions;
  • a resident company with export earnings is free to pay another resident company in foreign currency for settlement of goods and services. The foreign currency fund used for such settlements shall be sourced from the resident payer's foreign account;
  • for payments to Israel;
  • for a resident traveller to export Ringgit notes exceeding RM1,000 and foreign currency (including traveller's cheques) exceeding the equivalent of USD10,000;
  • for a non-resident traveller to export Ringgit notes exceeding RM1,000 and foreign currency exceeding the amount of foreign currency brought into Malaysia upon his leaving Malaysia, or USD10,000 whichever is higher.
EXCHANGE CONTROL

Non-resident controlled companies
A non-resident controlled company (NRCC) means a corporation, company or branch operating in Malaysia, controlled directly or indirectly by non-residents.

A NRCC in Malaysia is permitted to:
- obtain any amount in Ringgit or foreign currency of short term trade financing; and
- obtain domestic credit facilities locally without having to seek specific permission from the Controller.

Purchase of immoveable properties by non-residents
Non-residents may borrow domestically for financing properties used for productive (real) activities such as manufacturing.

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

Borrowings in foreign currency
A resident company is free to:

- borrow any amount in foreign currency from its non-resident non-bank related companies other resident companies within the same corporate group in Malaysia and licensed onshore banks and licensed International Islamic Banks. However, where the non-resident non-bank related company is set up solely to obtain foreign currency loans from a non-resident financial institution, the amount of borrowing from the non-resident non-bank related company continues to be subject to the prevailing aggregate limit of RM100 million equivalent from non-residents.
- procure from non-resident suppliers, any amount of foreign currency supplier’s credit for capital goods.

Other borrowings by a resident company from other non-residents
- a resident company is free to refinance outstanding approved borrowing in foreign currency (including principal and accrued interest)
• up to RM100 million equivalent in aggregate by a resident company on a corporate group basis for other financing activities

A resident individual is free to:
• to refinance outstanding approved borrowing in foreign currency (including principal and accrued interest)
• up to RM10 million equivalent in aggregate for other financing activities

**Borrowings in ringgit by a resident**
A resident company is allowed to borrow in ringgit, including the issuance of ringgit-denominated redeemable preference shares or loan stocks-
• of any amount from its non-resident non-bank parent company to finance activities in the real sector in Malaysia; and
• up to RM1 million in aggregate from other non-resident non-bank companies or individuals for use in Malaysia.

A resident individual is allowed to borrow in ringgit up to RM1 million in aggregate from non-resident, non-bank companies and individuals for use in Malaysia.

**Foreign currency accounts**
In general, a resident (individual or company) is allowed to open foreign currency accounts with licensed onshore banks, Labuan offshore banks and overseas banks for any purpose.

A resident individual is allowed to maintain joint foreign currency accounts with another resident individual for any purpose.

As for a resident exporter, export proceeds must be credited into foreign currency accounts maintained with licensed onshore banks only.

There is no restriction on the maintenance of a foreign currency account by a non-resident.

**Non-resident accounts**
Non-residents may maintain any number of external accounts with any financial institution in Malaysia. Transfers of funds can be made between external accounts of the same account holder.
There is no restriction on the amount of Ringgit funds to be retained in the external accounts.

Sources of Ringgit funding the external account can be from:
- proceeds from sale of foreign currency to a licensed onshore bank, ringgit assets or goods and services to a resident;
- income earned in Malaysia, including salaries, wages, commissions, fees, rental, interest, profits or dividends;
- proceeds from drawdown or repayment of permitted Ringgit credit facilities;
- cash deposit of up to RM10,000 per day;
- deposits of cheques up to RM5,000 per cheque for any purpose;
- transfers from other external account(s) of the same account holder;
- transfers from external account and/or resident account of different account holders by way of automated teller machine or internet-bank transfers not exceeding RM5,000 a day per bank.

Uses of funds in the account can be for the following purposes:-
- purchase of foreign currency (excluding the currency of Israel) from licensed onshore banks;
- Payment to a resident for own account for:
  - purchase of ringgit assets;
  - payment for goods and services;
  - payment of administrative and statutory expenses incurred in Malaysia;
  - settlement of a permitted ringgit-denominated financial or non-financial guarantee;
  - granting, servicing or repayment of any permitted ringgit credit facility;
and
- Payment to another non-resident for-
  - purchase of ringgit assets;
  - granting, servicing or repayment of any permitted ringgit credit facility
  - any amount of cash withdrawals

Ringgit funds in the External Account may be converted into foreign currency, repatriated or used in Malaysia for permitted purposes.
Exports from Malaysia
Resident exporters only need to submit quarterly reports on their export related transactions if the gross export proceeds exceed RM50 million per year.

MSC Malaysia companies
MSC Malaysia companies are exempted from the exchange control requirements by the Controller. However, such exemptions do not extend to dealings with specified persons, comprising the residents of institutions of Israel, or the currency of Israel.

Approved Operational Headquarters (OHQ)
OHQ with domestic ringgit credit facilities are allowed to convert ringgit into foreign currency up to RM50 million per calendar year for investments in foreign currency assets. No limit if foreign currency assets are funded with own foreign currency funds.

### IMPORTANT FILING DATES

<table>
<thead>
<tr>
<th>Type of return</th>
<th>Form</th>
<th>Due date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• All taxpayers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- notification of change of address</td>
<td>No prescribed form</td>
<td>Within 3 months of change.</td>
</tr>
<tr>
<td>• Individual (without business income)</td>
<td>Form BE</td>
<td>By 30 April in the year following that year of assessment.</td>
</tr>
<tr>
<td>- submission of income tax return Resident</td>
<td>No prescribed form</td>
<td>Within 2 months of date of arrival.</td>
</tr>
<tr>
<td>Non-resident</td>
<td>Form M</td>
<td>By 30 June in the year following that year of assessment.</td>
</tr>
<tr>
<td>- notification of chargeability of an individual who first arrives in Malaysia</td>
<td>No prescribed form</td>
<td></td>
</tr>
<tr>
<td>• Individual (with business income)</td>
<td>Form B</td>
<td>By 30 June in the year following that year of assessment.</td>
</tr>
</tbody>
</table>
## IMPORTANT FILING DATES

<table>
<thead>
<tr>
<th>Type of return</th>
<th>Form</th>
<th>Due date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td>Form CP 204</td>
<td>30 days before the beginning of the basis period.</td>
</tr>
<tr>
<td>- submission of estimate of tax</td>
<td>Form CP 204A</td>
<td>In the sixth or/and ninth month of the basis period.</td>
</tr>
<tr>
<td>payable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- submission of revised</td>
<td>Form C</td>
<td>Within 7 months from the date following the close of its accounting</td>
</tr>
<tr>
<td>estimate of tax payable</td>
<td></td>
<td>period.</td>
</tr>
<tr>
<td>- submission of income tax</td>
<td>Form R</td>
<td>Within 7 months from the date following the close of its accounting</td>
</tr>
<tr>
<td>return</td>
<td></td>
<td>period.</td>
</tr>
<tr>
<td>- submission of section 108</td>
<td></td>
<td></td>
</tr>
<tr>
<td>statement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Co-operative society</td>
<td>Form CI</td>
<td>Within 7 months from the date following the close of its accounting</td>
</tr>
<tr>
<td>- submission of income tax</td>
<td></td>
<td>period.</td>
</tr>
<tr>
<td>return</td>
<td>Form P</td>
<td>By 30 June in the year following that year of assessment.</td>
</tr>
<tr>
<td>Partnership</td>
<td></td>
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</tr>
<tr>
<td>- submission of income tax</td>
<td>Form TA</td>
<td>Within 7 months from the date following the close of its accounting</td>
</tr>
<tr>
<td>return</td>
<td></td>
<td>period.</td>
</tr>
<tr>
<td>Trust Body</td>
<td>Form TP/TF</td>
<td>By 30 April (without business income) or 30 June (with business income)</td>
</tr>
<tr>
<td>- submission of income tax</td>
<td></td>
<td>in the year following that year of assessment.</td>
</tr>
<tr>
<td>return</td>
<td></td>
<td></td>
</tr>
</tbody>
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<tr>
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<tbody>
<tr>
<td><strong>Unit Trust</strong></td>
<td>- submission of income tax return</td>
<td>Form TC</td>
</tr>
<tr>
<td><strong>Real Estate Investment Trust/Property Trust Fund</strong></td>
<td></td>
<td>Form TR</td>
</tr>
<tr>
<td><strong>Employer</strong></td>
<td>- return of remuneration by an employer</td>
<td>Form E CP 8D</td>
</tr>
<tr>
<td></td>
<td>- notification of employee’s commencement of employment</td>
<td>Form CP 22</td>
</tr>
<tr>
<td></td>
<td>- notification of employee’s cessation of employment (in certain prescribed cases)</td>
<td>Form CP 22A</td>
</tr>
<tr>
<td></td>
<td>- notification of employee leaving Malaysia for more than 3 months</td>
<td>Form CP 21</td>
</tr>
<tr>
<td></td>
<td>- statement of tax deduction by employer under Schedular Tax Deduction Scheme</td>
<td>Form CP 39</td>
</tr>
</tbody>
</table>

**Withholding tax**

<table>
<thead>
<tr>
<th></th>
<th>Form</th>
<th>Due date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>On interest or royalty to non-residents</strong></td>
<td>Form CP 37</td>
<td>Within one month of paying or crediting the non-resident, whichever is earlier.</td>
</tr>
<tr>
<td><strong>On contract payments to non-resident contractors</strong></td>
<td>Form CP 37A</td>
<td>Same as above</td>
</tr>
</tbody>
</table>
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<thead>
<tr>
<th>Type of return</th>
<th>Form</th>
<th>Due date</th>
</tr>
</thead>
<tbody>
<tr>
<td>On technical and management services fees, rental of moveable properties, etc to non-residents</td>
<td>CP 37D</td>
<td>Same as above</td>
</tr>
<tr>
<td>On technical and management services fees, rental of moveable properties, etc to non-residents carrying out activities in the Joint Development Area</td>
<td>CP 37D (1)</td>
<td>Same as above</td>
</tr>
<tr>
<td>On Real Estate Investment Trust income exempted at the Trust level distributed to unit holders (other than resident companies)</td>
<td>37E</td>
<td>Within one month of distributing income to the unit holders.</td>
</tr>
<tr>
<td>On payments to a non-resident person in relation to any gains or profits falling under Section 4(f)</td>
<td>37F</td>
<td>Within one month of paying or crediting the non-resident, whichever is earlier.</td>
</tr>
</tbody>
</table>

### Sales tax

- Submission of tax return  
  Form CJP 1  
  Within 28 days after end of each taxable period.

### Service tax

- Submission of tax return  
  Form CJP 1  
  Within 28 days after end of each taxable period.

### Social Security Organisation (SOCSO)

- Submission of remittance form  
  Form 8A  
  Not later than last day of the following month.

### Employees’ Provident Fund

- Schedule of Monthly contributions together with cheque  
  EPF 6 (Form A)  
  Within 15 days after month end, each month
<table>
<thead>
<tr>
<th>Location</th>
<th>Telephone / Telescopier</th>
<th>Mail Address</th>
<th>Tax Contacts</th>
</tr>
</thead>
</table>
| **Kuala Lumpur** | Telephone: [60] (3) 2173 1188  
Telescopier: [60] (3) 2173 1288  |
Jalan Travers,  
Kuala Lumpur  
50470 Kuala Lumpur  |
|                  | Telephone: [60] (4) 238 9188  
Telescopier: [60] (4) 238 9288  |
Pulau Pinang  
16th Floor,  
Bangunan KWSP  
Jalan Sultan Ahmad Shah  
10050 Pulau Pinang  |
|                  | Telephone: [60] (5) 254 9427  
Telescopier: [60] (5) 253 2366  |
Ipoh  
Standard Chartered Bank Chambers  
1st Floor, 21-27  
Jalan Dato’ Maharaja Lela  
30000 Ipoh  
Perak Darul Ridzuan  |
|                  | Telephone: [60] (6) 283 6169  
Telescopier: [60] (6) 284 4368  |
Melaka  
2nd Floor  
Bangunan Tabung Haji  
Jalan Banda Kaba  
75000 Melaka  |
|                  | Telephone: [60] (7) 222 4448  
Telescopier: [60] (7) 224 8088  |
Johor Bahru  
Menara Ansar  
Level 16, Jalan Trus  
80000 Johor Bahru  
Johor Darul Takzim  |
|                  | Telephone: [60] (82) 41 3957/8  
Telescopier: [60] (82) 41 2644  |
Kuching  
Bangunan BINAMAS  
9th Floor  
Jalan Padungan  
93100 Kuching, Sarawak  |
|                  | Telephone: [60] (87) 42 198  
Telescopier: [60] (87) 42 2198  |
Labuan  
Level 13F, Main Office Tower  
Financial Park Labuan  
Jalan Merdeka  
87000 Wilayah Persekutuan Labuan  |

Visit our website at http://www.pwc.com/my