

BACKGROUND ON MALAYSIA



Map of Malaysia

(Source: Malaysia Property Inc. <http://www.malaysiaproertyinc.com> extracted on November 2011

Malaysia Investment Development Authority <http://www.mida.gov.my/> extracted on November 2011

Pemudah - The Special Task Force to Facilitate Business <http://www.pemudah.gov.my/> extracted on November 2011

EPU - Economic Planning Unit <http://www.epu.gov.my/> extracted on November 2011.)

Facts on Malaysia

Total Area	330,000 square kilometres (127,000 square miles)
Political Structure	A federation with 13 states (11 in peninsular Malaysia and 2 in Malaysian Borneo) and 3 federal territories.
System of Government	As a federation, the governance of the country is divided between the federal and the state governments. Parliamentary democracy with a constitutional monarch.
Head of State	DYMM Yang di-Pertuan Agong Sultan Mizan Zainal Abidin
Prime Minister	YAB Dato' Sri Mohd Najib Bin Tun Hj Abd Razak
Population	28.3 million (2010p)*
Major Ethnic Groups	Malays, Chinese, Indian, Kadazans, Ibans
Major Languages	Bahasa Malaysia (official language), English, Mandarin, Tamil
Major Religions	Islam, Buddhism, Christianity, Hinduism
Time	GMT +8 hours US Eastern Standard Time +13 hours
Climate	Tropical - warm and sunny throughout the year. Daily temperatures range from 33°C (90°F) in the afternoon to 22°C (70°F) during the night.
Currency	Ringgit Malaysia(RM) which is divided into 100 sen.
Exchange Rate	The ringgit exchange rate operates on a managed-float regime against a trade-weighted basket of currencies.

(source: MIDA website)

Area, Population and Labour Force

Year	2010 (preliminary)	2011 (forecast)
Population	28.3 million	28.6 million
GDP	RM512.4 billion	RM587.8 billion
GDP Growth	7.20%	5.0 - 6.0%
Per capital income	RM26,219 (USD8,140)	RM28,175 (USD9,204)
Inflation rate (CPI)	1.70%	2.5 - 3.5%
Labour force	12.2 million	12.5 million
Unemployment	3.20%	3.20%
Total export (f.o.b.)	RM639.4 billion*	RM674.8 billion
Total import (c.i.f.)	M529.2 billion*	RM577.9 billion**
Major exports*	Electrical and electronic products Palm oil and palm oil-based products Chemicals and chemical products Refined petroleum products Liquefied natural gas (LNG) Crude petroleum	
Major inports*	Electrical and electronic products Machinery, appliances and parts Chemicals and chemical products Manufactures of metal Transport equipment	

Economic Data Sources: 1. Bank Negara Malaysia Annual Report 2010

2. * Matrade Press Release: Malaysia's Trade Performance in 2010 , 3. ** Economic Report 2010/2011

Investor's Guide on Cost of Doing Business in Malaysia

Starting a Business:

Companies doing business in Malaysia must register with the Companies Commission of Malaysia (SSM) under the Companies Act 1965.

Main fees to be paid to the Companies Commission of Malaysia (SSM):

	RM
Reservation of a name	30
For registration of a company, fees range according to nominal share capital, e.g.:	
Not exceeding RM100,000	1,000
RM100,001 - 500,000	3,000
RM500,001 - RM1 million	5,000
RM1,000,001 - RM5 million	8,000
RM5,000,001 - RM10 million	10,000
RM10,000,001 - RM25 million	20,000
RM25,000,001 - RM50 million	40,000
RM50,000,001 - RM100 million	50,000
Exceeding RM100 million	70,000

(Source: Companies Act 1965 (Act 125) & subsidiary legislations. - www.ssm.com.my)

Taxation

Income of any person including a company, accruing in or derived from Malaysia or received in Malaysia from outside Malaysia is subject to income tax. However, income received in Malaysia by any person other than a resident company carrying on business of banking, insurance or sea or air transport for a year of assessment derived from sources outside Malaysia is exempted from tax. To modernise and streamline the tax administration system, the self-assessment system was implemented for companies, sole proprietor, partnerships, cooperatives and salaried groups and the assessment of income tax is based on a current year basis.

Company Tax	
Resident and non-resident companies	25% (with effect from the year of assessment 2009)
Resident companies with paid-up capital of RM2.5 million and less at the beginning of the basis period for a year of assessment on the first RM500,000 (US\$156,250) chargeable income	20% (with effect from the year of assessment 2004)
Resident companies with paid-up capital of RM2.5 million and less at the beginning of the basis period for a year of assessment on subsequent chargeable income	25% (with effect from the year of assessment 2009)

Personal Income Tax	
Resident individuals with chargeable income of RM16,667 and above per annum (after deduction of personal reliefs)	1% - 26% (with effect from assessment year 2010)
Non-resident individuals (not entitled to any personal reliefs)	26% (with effect from assessment year 2010)

Service Tax

Service tax is imposed on taxable services provided by taxable persons.

Services include services provided by professionals (such as lawyers, engineers, architects, surveyors, consultants), advertising firms, private hospitals, insurance companies, communication companies, hotels and restaurants.	6%
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(Source: Royal Malaysian Customs - www.customs.gov.my)

Withholding Tax	
Non-resident persons special classes of income (use of moveable property, technical services, installation services on the supply of plant and machinery, etc.)	10%
Non-resident persons interest	15%
Non-resident persons royalty	10%
Non-resident persons contract payment on account of contractor	10%
Non-resident persons contract payment on account of employee	3%
* Other income such as commission, guarantee fees, agency fees, brokerage fees, introducers fees etc.	10%

Sales Tax	
Sales tax is imposed on certain imported and locally manufactured goods under the Sales Tax Act 1972 for majority of the goods.	5% - 10%
alcoholic and non-alcoholic compound preparations (other than those of heading No. 33.02) used for making beverages which falls under the tariff code 2106.90.490.	20%
Sales tax is also imposed on petroleum and petroleum products	specific rates

Rates of Capital Allowance

Capital allowances are given on qualifying capital expenditure. Initial allowances are given only once while annual allowances are given every year by the straightline method. Some of the items accorded allowances are shown below. For plant and machinery, companies are advised to verify with the Inland Revenue Board on the specific items which qualify.

Capital Expenditure	Initial Allowance	Annual Allowance
Industrial buildings	10%	3%
Plant and machinery	20%	14%
Heavy machinery and motor vehicles	20%	20%
Computer and IT equipment	20%	40%
Environmental control equipment	40%	20%
Others	20%	10%

(Source: Inland Revenue Board - www.hasil.gov.my)

Property Related Taxation

Real Property Gains Tax

Holding Period	Proposed RPGT Rates		
	Companies	Individual (Citizen & PR)	Individual (Non-Citizen)
Up to 2 years	10%	10%	10%
Exceeding 2 until 5 years	5%	5%	5%
Exceeding 5 years	0%	0%	0%

The proposed RPGT rates will not burden genuine property owners as they are given exemption and the payment of RPGT is based on net gains as follows:

i.	RPGT exemption on gains from the disposal of one unit of residential property once in a lifetime by an individual who is a citizen or a permanent resident of Malaysia;
ii.	RPGT exemption on gains from disposal of property between parents and children, husband and wife, grandparents and grandchildren.
iii.	RPGT is charged only on net gains after deducting all related costs such as purchase price, renovation costs and incidental costs e.g. legal fees and stamp duty; and
iv.	Exemption up to RM 10,000 or 10% of the net gains, whichever is higher, is given to an individual.

Effective Date

For disposal of properties commencing from 1 January 2012.

(Source: Ministry of Finance Malaysia)

Quit Rent

Quit rent is a form of land tax collected by State Governments. The amount of quit rent varies from state to state as well as according to locality and category of land use within each state.

Assessment Rates

Half yearly assessment rate is collected by the local authorities for the provision of services to the residents. The amount and classification of properties varies from one authority to another. In most states, the amount of assessment tax a house-owner pays is calculated on a percentage of the annual value of the property which is the total value of bare rents if the house is rented out in the open market.

Tax Incentives for Real Estate Investment Trust

Real Estate Investment Trust (REITs) are given the following tax incentives:

i	Foreign institutional investors, particularly pension funds and collective investment funds receiving dividends from REITs listed on Bursa Malaysia, are subjected to final withholding tax at 10% from 1 January 2009 until 31 December 2011;
ii	Non-corporate investors including resident and non-resident individuals and other entities receiving dividends from REITs listed on Bursa Malaysia, are subjected to final withholding tax at 10% from 1 January 2009 until 31 December 2011;
iii	Real property gains tax exemption on gains from the disposal of properties by individuals or companies to REITs from 13 September 2003;
iv	Stamp duty exemption on the deeds of assignment relating to the sales of properties from individuals or companies to REITs executed from 26 October 2005;
v	Full income tax exemption on income of REITs if 90% of such total income is distributed to unit holders from year of assessment 2007 and
vi	Income tax deduction on expenses for consultancy, legal and valuation services fees for the establishment of REITs from year of assessment 2006.

Effective Date

From 1 January 2012 until 31 December 2016.

(Source: Ministry of Finance Malaysia)

NB: Although every effort has been made to verify the accuracy of the information contained in this section, we will not be held responsible for any damage or loss suffered by any person or company arising from the use of the information.

