



商業信託  
Commercial Trust



## Country Profile: Malaysia

## The Facts

Location	Southeastern Asia, bordered by Thailand in the north, Indonesia in the south and the Philippines in the east
Languages	Official – Bahasa Malaysia Spoken – English, Chinese, Tamil, Telugu, Malayalam, Panjabi, Thai
Nationality	Malaysian
Religions	Muslim – 60.4% Buddhist – 19.2% Christian – 9.1% Hindu – 6.3% Others – 5%
Government	Constitutional Monarchy
Head of Government	Prime Minister
Legislature	Bicameral Parliament
Constitutional Document	The Federal Constitution of Malaysia
Economy	Malaysia is one of the 10 most competitive countries in the world. It is the world's largest producer of tin, rubber and palm oil. International trade has taken a significant role in the economy. Malaysia has created a business-friendly environment by offering liberal investment policies, liberal exchange control regime, intellectual property protection, attractive tax and other incentives.
Currency	Malaysia Ringgit (MYR)
GDP (2011)	Total – MYR 852.73 billion Per capita – MYR 29,680 Real GDP growth – +5.1%
Population	29,180,000 (approx.)
Percentage of population	Malay – 50.4% Chinese – 23.7% Indigenous – 11% Indian – 7% Others – 7.8%
Area	328,847 km <sup>2</sup>
Time zone	MYT (UTC+8)
Public Holidays	National holidays – 12 Regional holidays – 31
Climate	Tropical



Sources: Malaysian Investment Development Authority, Central Intelligence Agency, International Monetary Fund

## Malaysia

Kuala Lumpur, the capital of Malaysia, is one of the most preferred investment destinations in Asia. With an estimated population of 1.6 million, it is also the most populous city in the country. PayPal, Nestle, Motorola, Schlumberger, BMW, Philip Morris, Shell, Nokia, Exxon Mobil, HSBC, Prudential, Citibank, British American Tobacco, and several other acclaimed multinational corporations have their divisions in Malaysia.

In September, 2010, the government of Malaysia launched the Economic Transformation Programme (ETP) with a mission to strengthen the country's economy. The programme aims to increase the country's Gross National Income (GNI) to US\$523 billion by 2020. According to the report, *Malaysia Sets Ambitious \$444 bln Investment*, published in Forbes.com in September 21, 2010, the country's per capita income is expected to increase from US\$6,700 in 2010 to at least US\$15,000 in 2020. This will make Malaysia one of the high income nations, as per criteria set by the World Bank.

## The Malaysia Business Climate

According to the book, *Economic Transformation Programme: A Roadmap for Malaysia*, Kuala Lumpur accounts for around one third of Malaysia's GDP. More importantly, the Greater Kuala Lumpur/Klang Valley (GKL/KV) has been identified as one of the 12 national key economic areas (NKEAs) under the Economic Transformation Programme. That simply means that the government of Malaysia will provide best supports for the growth its key economic areas. Following are the seven major reasons why Malaysia is considered as one of the most potential investment destinations in the world

- **Strategic location:** The city is well connected with almost all major cities in the world through the Kuala Lumpur International Airport. Moreover, several high-profile business centres, such as Sydney, Dubai, Bangalore, Beijing, Hong Kong, Shanghai, Taipei, Seoul, and Tokyo are within 6- 8 hour flight radius of the city.
- **State-of-the-art infrastructure:** The Globalization and World Cities Study Group and Network (GaWC) rated Kuala Lumpur as an alpha city in 2008. This simply means that the city features world class infrastructure and transportation facilities.
- **Favourable business environment:** According to the 2012 *Doing Business Report* by the World Bank Group, Malaysia ranks 18th among 183 world economies in terms of ease of doing business. This shows an increase in ranking by five positions. In 2011, Malaysia's ranking was 23. Moreover, the country been ranked fourth for three consecutive years (2010 to 2012) in the *Doing Business Report*, in terms of "Protecting Investors". Malaysia also benefits foreign investors with favourable taxation laws and the country's stable political condition.
- **Constant economic growth:** Foreign direct investment (FDI) in Malaysia increased from US\$5.3 billion in January, 2011 to around US\$7.6 billion in September 2011, which shows around 42 percent growth within nine months. Quite obviously, the country's economy is flourishing rapidly. This is perhaps the best time to invest in the country.



- **Government support:** As mentioned earlier, the Malaysian government recognised 12 national key economic areas (NKEAs) under the Economic Transformation Programme. These twelve key economic areas include 11 industry sectors and the Greater Kuala Lumpur/ Klang Valley. The government of Malaysia provides a lot of support for doing business in one the following sectors.
  1. Oil, Gas and Energy
  2. Financial Services
  3. Wholesale and Retail
  4. Palm Oil
  5. Tourism
  6. Electronics and Electrical
  7. Business Services
  8. Communications Content and Infrastructure
  9. Education
  10. Agriculture
  11. Healthcare
  12. Greater Malaysia/ Klang Valley
- **Competitive pay scale of employees:** According to Invest KL, a government entity under the purview of the Ministry of International Trade and Industry (MITI) and Ministry of Federal Territories and Urban Wellbeing, the cost of doing business in Malaysia is lower than that of most other countries in the world. According to statistics from the official website of Invest KL, employee compensation in Malaysia is up to 75 percent lower than that of the USA. The average pay scales of senior software engineers, IT project managers, and customer service managers are respectively 30.4 percent, 37.4 percent, and 34 percent of those in the U.S.
- **Competitive cost of living:** According to the Mercer's 2011 Cost of Living report, Kuala Lumpur ranked 104th out of 214 cities in the world. The city provides excellent education and healthcare facilities at competitive costs. Not to mention, this is one the major reasons why several foreign companies are eagerly interested to establish a business in the city.

Easy availability of skilled workforce is another reason that makes Malaysia one of the most sought after investment destinations in Asia. Moreover, the government of Malaysia has adopted Six Strategic Reform Initiatives in order to encourage foreign investment in the country. Some of these initiatives include talent development, liberalization and improving liquidity in capital markets.

## Setting up a Business in Malaysia

Foreign investors who want to operate a business in Malaysia must choose one of the following options:

- Starting a venture collaboratively with any Malaysian corporation or individual
- Establishing a branch or division of the foreign company
- Acquiring shares of an existing Malaysian Company
- Incorporating a separate Malaysian company as subsidiary of the existing foreign company
- Forming joint venture with an existing Malaysian Company

Since different business forms have different tax requirements, foreign investors should take an informed decision when choosing what should be an appropriate business structure for them. There are three most common forms of businesses in Malaysia. They are sole proprietorship, partnership and private limited company. Let's take a look at some key features, advantages, and disadvantages of these three most common business structures:

- **Sole proprietorship:** It is perhaps the simplest form of business in Malaysia. It requires only one individual to own and operate a business. However, only Malaysian citizens or permanent residents of the country can establish a sole proprietorship firm in Malaysia. Forming a sole proprietorship company requires registering the business under the Registration of Business Ordinance 1965.
- **Partnership:** If two or more business partners want to set up a company in Malaysia, they should opt for the option of forming a partnership company. There can be two types of partnership companies, such as general partnership and limited partnership. In a general partnership company, all partners are responsible for making investments, as well as for bearing obligations and liabilities in the event of financial crisis of the company. On the other hand, a limited partnership company comprises of both general and limited partners. While general partners are responsible of running the company, limited partners serve as investors only. The liabilities of debts and other financial risks stay with general partners, and not with limited partners. Quite naturally, general partners have no control over the company's administration and operations. Forming a general partnership company is easier than establishing a limited partnership company. One of the major advantages of establishing a partnership company is that the government of Malaysia offers several tax incentives to this type of company. However, the fact that each general partner of this business structure runs the risk of personal liability is a major disadvantage of this form.
- **Private limited company:** This type of company is formed by several persons as a registered legal entity. Setting up a private limited company or corporation is more expensive and complex than the other two company types. However, once a corporation is established, it provides several benefits to the owner. Following are some major advantages of establishing a corporation.
  1. Since a corporation is a separate legal entity, it keeps the owner's personal assets at minimum risks.
  2. A corporation can sell stocks to raise funds.

However, one major disadvantage of forming a corporation in Malaysia is that it requires paying corporate income tax at both the federal and state levels.



## Procedure to Form a Company

According to Doing Business Report 2012, forming a 'standardized company' in Malaysia takes only five working days. According to the report, there are three clear steps towards forming a company in Malaysia. Following are the three steps:

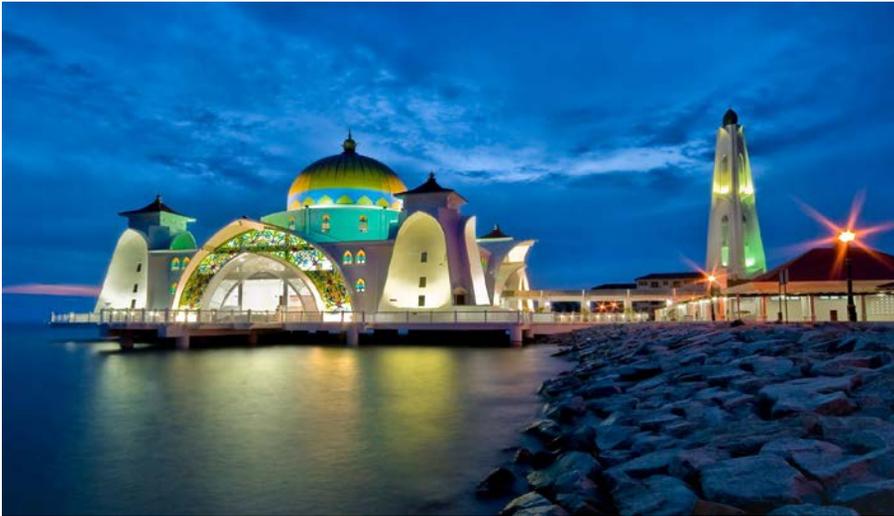
- Applying to the CCM for approval of proposed company name
- Preparing company incorporation documents
- Filing all required documents with the CCM, as well as registering with the Social Security Organization, the Inland Revenue Board, and the Employment Provident Fund (EPF)

The process also requires paying a registration fee of MYR 3,000, along with a stamp worth MYR 220.

## The Procedure to Form a Branch of an Existing Foreign Company

It takes around three to six weeks for the registration of a foreign branch in Malaysia. Foreign entrepreneurs who wish to establish a branch of an existing foreign company in Malaysia should first decide a name for the proposed company. The company then should apply for approval of the name to the Companies Commission of Malaysia (CCM). After the company name gets approved, the applicant requires submitting the following documents to the CCM:

- Copy of the Certificate of Incorporation from the country of origin
- A certified copy of the company's Charter, Statute or Memorandum and Articles of Association or other instrument constituting or defining its constitution
- Names of directors along with statutory particulars
- A company that has local directors should submit a letter stating the powers of those directors
- It is mandatory for the foreign company to appoint one or more permanent residents of Malaysia, as well as provide them power of attorney to complete legal formalities for setting up a branch in Malaysia. A memorandum that proves that the company completed these steps should be submitted to the CCM as well.
- The company should also submit a statutory declaration in the prescribed form made by the agent of the company upon payment of registration fee.



### Taxation

The corporate tax rate in Malaysia is 25 percent. Resident small and medium-sized business (businesses with a capital of MYR 2.5 million or less that are not a part of any group that exceeds this capitalisation threshold) are taxed at 20 percent on the first MYR 500,000, while the remaining amount is taxed at the usual corporate tax rate of 25 percent.

A company is considered to be resident in the nation if it is managed and controlled from within Malaysia.

### Immigration and Visa Requirements

All persons entering Malaysia require a national passport with a minimum of 6 months validity. Visa requirements for Malaysia vary a lot for citizens of different countries. For example, nationals of Commonwealth countries (except Bangladesh, India, Pakistan and Sri Lanka), Republic of Ireland, Switzerland, Netherlands, San Marino and Liechtenstein do not require a visa for a visit to Malaysia. On the other hand, nationals of countries such as Afghanistan, Iran, Iraq, Libya, S. Yemen, and Syria do not require a visa for a stay of up to 14 days.

Intellectual property laws in Malaysia are also in accordance with international standards. The country is a signatory to the Paris Convention and Berne Convention. The intellectual property laws of the country are frequently reviewed by the TRIPs Council. Malaysia is also member of the World Intellectual Property Organisation (WIPO). All and all, Malaysia is a great place to start a business.

## Reference

Malaysian Investment Development Authority	<a href="http://www.mida.gov.my/env3/index.php">www.mida.gov.my/env3/index.php</a>
Central Intelligence Agency	<a href="http://www.cia.gov">www.cia.gov</a>
International Monetary Fund	<a href="http://www.imf.org">www.imf.org</a>
InvestKL	<a href="http://www.investkl.gov.my">www.investkl.gov.my</a>
Kuala Lumpur Business School	<a href="http://klbs.com.my/v1/basic-business-structures">klbs.com.my/v1/basic-business-structures</a>
Trade Chakra	<a href="http://www.tradechakra.com/economy/malaysia/types-of-business-entities-in-malaysia-138.php">www.tradechakra.com/economy/malaysia/types-of-business-entities-in-malaysia-138.php</a>
PKF	<a href="http://www.claytonmckervey.com/attach/doing-business-in-malaysia.pdf">www.claytonmckervey.com/attach/doing-business-in-malaysia.pdf</a>
Malaysian Innovation Foundation	<a href="http://www.wifkl.com/index.cfm?&amp;menuid=27">www.wifkl.com/index.cfm?&amp;menuid=27</a>

## Contact

Website: [www.cmltrust.com](http://www.cmltrust.com)

Email: [inquire@cmltrust.com](mailto:inquire@cmltrust.com)

Tel: +852 2162 7371