

# ACCOUNTING, AUDITING AND TAXATION SERVICES





## Introduction

This booklet is one of a series of 20 booklets prepared by MIDA for the purpose of providing investors with relevant information on establishing projects in the identified services sub-sectors in Malaysia. The complete list of booklets is as follows:

- Booklet 1:** General Policies, Facilities and Guidelines
- Booklet 2:** Regional Operations
- Booklet 3:** Research and Development (R&D) Services
- Booklet 4:** Logistics Services
- Booklet 5:** Specialised Technical Support Services
- Booklet 6:** Information and Communication Technology Services
- Booklet 7:** Environmental Management Services
- Booklet 8:** Distributive Trade Services
- Booklet 9:** Tourism and Travel Related Services
- Booklet 10:** Education and Industrial Training Services
- Booklet 11:** Legal Services
- Booklet 12:** Accounting, Auditing and Taxation Services
- Booklet 13:** Architectural Consultancy Services
- Booklet 14:** Surveying Consultancy Services
- Booklet 15:** Medical and Health Care Services
- Booklet 16:** Engineering and Energy Consultancy Services
- Booklet 17:** Management Consultancy Services
- Booklet 18:** Market Research Services
- Booklet 19:** Advertising Services
- Booklet 20:** Quick Reference

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

*MIDA is the first point of contact for investors who intend to set up projects in manufacturing and services sector in Malaysia. With its headquarters in Malaysia's capital city of Kuala Lumpur, MIDA has established a global network of 20 overseas offices covering North America, Europe and the Asia Pacific to assist investors interested in establishing manufacturing projects and services activities in Malaysia. Within Malaysia, MIDA has 12 branch offices in the various states to facilitate investors in the implementation and operation of their projects.*

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

# ACCOUNTING, AUDITING AND TAXATION SERVICES

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# ACCOUNTING, AUDITING AND TAXATION SERVICES

Accounting, book-keeping, auditing and tax consultancy services (classified under code 74120 of the Malaysia Standard Industrial Classification) include activities involving the recording of commercial transactions for business or others, the preparation of financial accounts, the examination of these accounts and the certification of their accuracy and the preparation of personal and business income tax returns. Included therein are related advisory activities and representation (other than legal representation) on behalf of clients before tax authorities. However, accounting and auditing services exclude the following:

- (a) Data processing and tabulation activities which are classified in item 72300: Data processing services.
- (b) Activities involving management consultancy, by units that do not provide accounting or auditing which are classified in item 74142: General management consultancy services.
- (c) Bill collection which is classified in item 74999: Other business activities

## 1. LICENSING AND REGISTRATION

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### 1.1 Registration with Companies Commission of Malaysia

For accounting, it is a business categorized to be solely under the exercise of a regulated profession which is under the provisions of the Accountants Act, 1967, thus making the business registration not applicable under the Registration of Businesses Act, 1956 nor the Companies Act, 2016. Therefore, setting up of an accounting practice requires the intended professional to solely register with the Malaysian Institute of Accountants (MIA).

Apart from being under the MIA's jurisdiction for its registration, practice of auditing will also require the business to be registered with the Companies Commissions of Malaysia (CCM).

As for tax consultancy practice, it requires the intended professional to register with the Companies Commissions of Malaysia (CCM) under the Registration of Businesses Act, 1956 or incorporate a company under the Companies Act, 2016.

A 'Foreign Company' is defined under the Companies Act, 2016 as:

- a company, corporation, society, association or other body incorporated outside Malaysia, or
- an unincorporated society, association, or other body which under the law of its place of origin may sue or be sued, or hold property in the name of the secretary or other officer of the body or association duly appointed for that purpose and which does not have its head office or principal place of business in Malaysia.

## 1.2 Registration with the Malaysian Institute of Accountants

The Malaysian Institute of Accountants (MIA) is the body that regulates the practice of accounting and auditing in Malaysia. According to the MIA (Membership and Council) Rules, 2001 which was approved on 7 November 2001, a member shall not hold himself out as a member in public practice unless he holds a valid practising certificate issued by the Institute.

Foreign professionals in Malaysia may provide accounting and auditing services through sole proprietorship or partnership so long as he/ she meets the requirements as specified under item 1.3 on page no. 7. The same rule applies to foreign supplier of taxation services.

The same requirement for registration with MIA in these cases applies as the Accountants Act, 1967 does not discriminate between foreign and Malaysian citizens.

The requirements and conditions for the certificate and licences to practise are as follows:

<b>Practising Certificate for Chartered Accountants</b>	
<b>Requirements</b>	<b>Conditions</b>
<ul style="list-style-type: none"> <li>i) MIA member – Chartered Accountant/Licensed Accountant category.</li> <li>(ii) Attended the Public Practice Programme (PPP) organised by MIA.</li> </ul>	<ul style="list-style-type: none"> <li>• Member must commence public practice within six (6) months from the date of issuance of the practising certificate and shall practise on a full- time basis. If the member is unable to commence practice within the six (6) months, the practising certificate must be returned to the Institute immediately upon the expiry of the period.</li> <li>• The certificate will be renewed automatically on a year to year basis for a period of 12 months, each commencing on the first day of the following July, whereupon the annual practising certificate fee shall become due and payable.</li> <li>• A member shall cease to be entitled to a practising certificate if he fails to pay the annual practising certificate fee by the last day of December in the year in which it becomes due and payable pursuant to sub rule (4) unless the Council decides otherwise.</li> <li>• The fee for a practising certificate is RM250 annually.</li> </ul>

<b>Audit Licence for Auditor</b>	
<b>Requirements</b>	<b>Conditions</b>
<ul style="list-style-type: none"> <li>• Must be a Chartered Accountant registered with MIA with a valid Practising Certificate issued.</li> <li>• Has three (3) continuous years of auditing experience after gaining membership with MIA.</li> <li>• Has attended a 'Public Practice Programme' organised by MIA.</li> <li>• For applicants who possess the relevant audit experience but are no longer in the audit field at the point of submission, he/she must possess three (3) years of audit experience within the time period of four (4) years at the point of submission of the application.</li> </ul> <p>(Effective 1 January 2006)</p>	<ul style="list-style-type: none"> <li>• Licence is renewable every two (2) years.</li> <li>• Application for renewal must be made at least three (3) months before the expiry date.</li> </ul>

<b>Liquidator Licence for Liquidator</b>	
<b>Requirements</b>	<b>Conditions</b>
<ul style="list-style-type: none"> <li>• Applicant must be an Audit Licence holder with a valid practising certificate.</li> <li>• The person must have obtained the audit licence for at least a year prior to the application.</li> <li>• Applicant must have minimum 2 years working experience in liquidation.</li> </ul>	<ul style="list-style-type: none"> <li>• Licence is renewable every two (2) years.</li> <li>• Application for renewal must be made at least three (3) months before the expiry date.</li> </ul>

<b>Tax Licence for Tax Agent</b>	
<b>Requirements</b>	<b>Conditions</b>
<ol style="list-style-type: none"> <li>1. Have obtained any of the qualification and working experience as stated below:               <ol style="list-style-type: none"> <li>a) Member of any accounting body recognised by the Malaysian government as stated in Part II of the First Schedule of the Accountants Act, 1967 and with five (5) years practical experience (after being a member) in the field of income tax with either the public or private sector.</li> </ol> </li> </ol>	<ul style="list-style-type: none"> <li>• Licence is renewable every three (3) years.</li> <li>• Application for renewal must be made at least four (4) months before the expiry date.</li> </ul>

## Tax Licence for Tax Agent

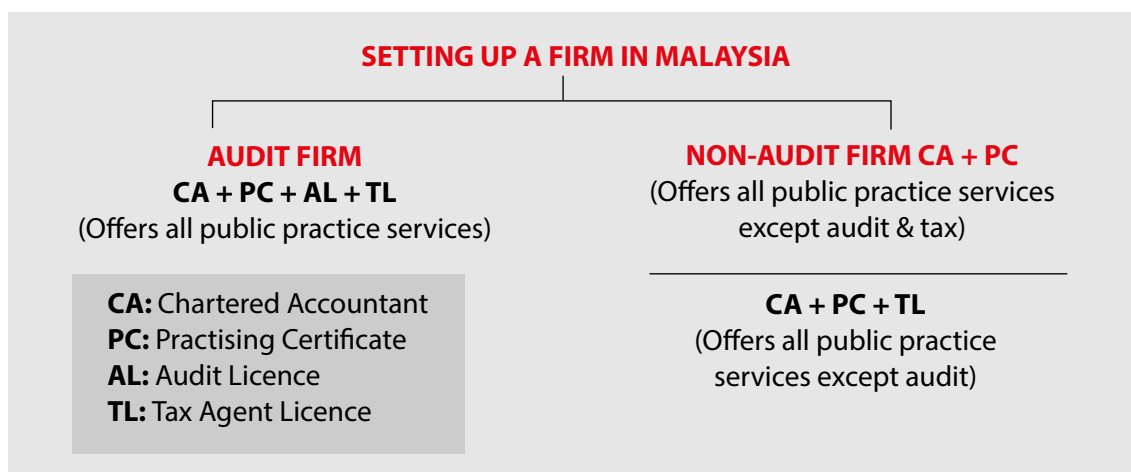
Requirements	Conditions
<p>b) An individual with any academic qualification as stated in Part 1 of the First Schedule of the Accountants Act, 1967 and with five (5) years practical experience (after graduation) in the field of income tax with either the public or private sector.</p> <p>c) An individual with a first class academic qualification in the field of business and economics from Institute Pengajian Tinggi Awam (IPTA) or Institut Pengajian Tinggi Swasta (IPTS) recognised by the Malaysian government, and has eight (8) years of practical experience (after graduation) in the field of income tax with either the public or private sector.</p> <p>d) An individual who has passed the Advanced Course examination organised by the Inland Revenue Board with five (5) years practical experience in the field of income tax with either the public or private sector.</p> <p>e) An individual who has passed the Beginner Course examination organised by the Inland Revenue Board with ten (10) years practical experience in the field of income tax with either the public or private sector.</p> <p>f) An individual who has passed the Tax Agent Course conducted by the Inland Revenue Board (Skim Latihan Khas).</p> <p>g) A member of the Chartered Tax Institute of Malaysia (CTIM) with five (5) years of practical experience in the field of income tax with either the public or private sector.</p> <p>h) A member of the Malaysian Institute of Chartered Secretaries and Administrator (MAICSA) with five (5) years practical experience (after being a member) in the field of income tax with either the public or private sector.</p>	

<b>Tax Licence for Tax Agent</b>	
<b>Requirements</b>	<b>Conditions</b>
<ul style="list-style-type: none"> <li>i) A member of Malaysian Association of Company Secretaries (MACS) with a first class academic qualification in the field of Law from IPTA or IPTS recognised by the Malaysian government, and with five (5) years practical experience (after graduation) in the field of income tax with either the public or private sector.</li> <li>j) An academician with five (5) years lecturing experience in the field of taxation at the level of diploma and above in any IPTA or IPTS recognised by the Malaysian government, and fulfils the requirements as stated in Part I and II of the First Schedule of the Accountants Act,1967.</li> </ul> <ol style="list-style-type: none"> <li>2. Attended the latest annual budget seminar organised by Inland Revenue Board Malaysia (IRB) (LHDN)/ Chartered Tax Institute of Malaysia (CTIM) / Malaysian Association of Tax Accountants (MATA).</li> <li>3. Have obtained forty (40) points of Continuing Professional Development (CPD) / Continuing Professional Education (CPE) within the most recent one (1) year.</li> </ol>	

Application for audit licence and liquidator licence will have to be submitted to *Jabatan Akauntan Negara Malaysia* through online submission on <http://open.bless.gov.my/> while for tax licence, it will have to be submitted to the Ministry of Finance (MOF).



### 1.3 Setting up a Practice in Malaysia



The requirements for setting up a practice in Malaysia are as follows:

Type of Establishment	Requirements
Audit Firm	Sole proprietor or partners must be Chartered Accountants registered with MIA, with valid practising certificates and valid audit licences
Branch Office (of an Audit Firm)	Branch office of an audit firm must be managed by a member of MIA
Non-Audit Firm	Sole proprietor or partners must be Chartered Accountants or Licensed Accountants registered with MIA with valid practising certificates
Branch Office (of a Non-Audit Firm)	Branch office of a non-audit firm must be managed by a member of MIA

#### Annual Returns

All firms registered with MIA are required to update their records with MIA by submitting an annual return on particulars of their firms and branch/branches (where applicable) on a yearly basis. Submission of the annual return to the Institute is Mandatory, as stated in the Section 500.9 (1)(d) and (2) of the Institute's By-Laws (On Professional Ethics, Conduct and Practice). Annual return submission is available online since 2009 and submission on a yearly basis is required for all member firms.

## Professional Indemnity Insurance

Every member in public practice shall comply with Section 510 (Professional Indemnity Insurance) of the Institute's By-Laws to ensure that his firm carries and maintains a policy of professional indemnity insurance, purchase policies from licensed insurance companies, obtain a policy of professional indemnity insurance with a minimum coverage of RM250,000 upon commencement of public practice.

If a member in public practice carries on his practice under more than one firm, he is required to have separate policies of professional indemnity insurance with a minimum coverage of RM250,000 for himself in each of the firms in which he practises.

### 1.4 Registration with Ministry of Finance (MOF)

Any consulting firm intending to tender for government contracts must register with MOF using the codes specified by MOF.

Conditions that must be fulfilled for registration with MOF:

- (i) Firm with accumulated/paid-up capital as follows:
  - Sole proprietorship - minimum of RM50,000
  - Partnership - minimum of RM50,000
  - Sdn. Bhd. - minimum of RM50,000
- (ii) The firm needs to have a legitimate office address, either leased or own property.
- (iii) The business premise is not allowed to use the address of on-line office, P.O.Box, mailing box office services and other premises where the traceability and capacity of the firm is difficult to be determined.
- (iv) The firm must have at least three (3) staffs under permanent employment and contribute to the Employees Provident Fund (EPF) with the following composition:
  - a) one (1) professional staff with academic qualification of at least a degree in related field;
  - b) one (1) semi-professional with academic qualification of at least a diploma in related field; and
  - c) one (1) clerk.
- (v) The owner of the firm must be appointed as a full-time Director, and can be appointed as the professional staff or the management, but is not allowed to be appointed as a worker in the firm.
- (vi) The owner of the firm must have the necessary professional qualification in the field of expertise applied for in accordance with the provision of the laws and regulations and is required to submit relevant CV/work experience.
- (vii) The professional staff and the semi-professional staff are required to submit their first degree or diploma together with their relevant CV/work experience.
- (viii) All equity/share-holders must have at least five (5) years of working experience in the field of expertise applied for after obtaining their first degree.
- (ix) The field of expertise submitted for registration with MOF must be consistent with the practising licence issued by the respective Professional Boards.
- (x) The consulting firm needs to have an active current account.

- (xi) For professions whose ethics of service are governed by the Professional Boards, the equity/share-holders shall be registered with their respective Professional Boards. The field of expertise to be registered with MOF will be the expertise approved by the Professional Boards.
- (xii) For professions whose ethics of service are yet to be governed by the Professional Boards, the field of expertise to be registered with MOF will be based on the academic qualification and the working experiences of the owner.
- (xiii) The consulting firm is required to submit its registration certificate with the Professional Board as compliance with the provisions of the Act of the Professional Board for purposes of carrying out consultancy services.

Application must be made only through [www.eperolehan.gov.my](http://www.eperolehan.gov.my)

Please refer to the above website for policy of registration, registration code and other relevant information.

### **1.5 Business Licence**

Companies intending to set up an office are required to obtain a business premise/ signboard licence from the respective local authorities, depending on the nature of the business activity.

There are 155 local authorities in Malaysia which are responsible for approving business premise and signboard licences. The requirements for obtaining a business premise/signboard licence may vary according to the conditions requirements set by each local authority.

Applicants are advised to contact the relevant local authority (based on the location of the business premises) regarding the specific rules and regulations pertaining to business premise/ signboard registration. The fees may vary according to each of the local authorities.

Contact details for local authorities are available in the Quick Reference Booklet in this series.

## **2. EQUITY POLICY**

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To increase local participation in business, the Government encourages joint-ventures between Malaysian and foreign investors.

The Government had announced on 7 October 2011 that accounting and taxation services would be one of the 17 services sub-sectors that would be liberalised.

Please refer to MITI website [www.miti.gov.my](http://www.miti.gov.my) for information on liberalisation.

## **3. GENERAL AGREEMENT ON TRADE IN SERVICES (GATS), ASEAN FRAMEWORK AGREEMENT ON SERVICES (AFAS) AND FREE TRADE AGREEMENTS (FTAS)**

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The updates and information on Schedule of Specific Commitments of GATS, AFAS and FTAs is available in MITI'S website [www.miti.gov.my](http://www.miti.gov.my)

## 4. SPECIFIC IMMIGRATION PROCEDURES

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### 4.1 Expatriate Posts Specific to Accounting, Auditing and Taxation Services

Companies or firms providing accounting, auditing and taxation services in Malaysia may employ expatriates. A company or firm must submit its applications for Employment Passes to the Immigration Department.

The company or organisation must apply for approval to employ expatriates from the Expatriate Committee of the Immigration Department.

Upon approval of the expatriate posts, companies shall forward their application for Employment Passes to the Immigration Department.

In addition to the qualification requirements prescribed under the Accountants Act, 1967, the expatriate is required to meet the following residency guidelines as set by the MIA Council:

- (i) Must be in the country for at least 182 days within one (1) year at the point of application (must be supported by documentary evidence such as passport entry and exit stamps).
- (ii) Must possess a working permit issued by the Malaysian Immigration Department stating the position held and the commencement and expiry date of the permit.
- (iii) Must have a residential address in Malaysia.

The spouse and children of the expatriate can apply for Dependant Passes once the expatriate has been issued with the Employment Pass. The Dependant Pass may be applied together with the application, for the Employment Pass or after the Employment Pass is approved. The spouse and children of the expatriate who enter the country on a visit (temporary employment or professional) will be issued a visit (social) pass.

Under GATS, supply of services through mode 4 (the movement of natural persons) is unbound except as specified in the horizontal section. Malaysia made commitment for the categories of Intra Corporate Transferees which covers Section 1(a) and Section 1(b), as well as Others, which covers specialists or experts under Section 2(a), professionals under Section 2(b), and business visitors under Section 2(c).

Section 1(a) allows senior managers being persons within an organisation having proprietary information of the organisation and who exercise wide latitude in decision making relating to the establishment, control and operation of the organisation being directly responsible to the CEO and receive only general supervision or direction from the board of directors or partners of the organisation.

Section 1 (b) of the horizontal section allows two specialists or experts per organisation being persons within the organisation who possess knowledge at an advanced level of continued expertise and who possess proprietary knowledge of the organisation's new service products and technology, research equipment and techniques or management. Additional specialists

or experts may be allowed subject to market test and the training of Malaysians through an acceptable training programme in the relevant services sector or sub-sector. Such persons must be employees of the Foreign Service supplier and who have been in employment of that Foreign Service supplier for a period of not less than one year immediately preceding the date of their application for a work permit and they are to serve in at least a similar capacity.

Under 2(a), specialists or experts being persons who possess knowledge at an advanced level of continued expertise and who possess proprietary knowledge of the organisation's products and services subject to market test and the employment of Malaysians as counterparts and/or training of Malaysians through acceptable training programmes in the relevant services sector or subsector.

Under 2(b) of the horizontal section, a condition that must be met is that the professionals must possess the necessary academic credentials, professional qualifications, experience and/or expertise duly recognised by the professional bodies in Malaysia and registered with the MIA except for taxation services.

Section 2(c) covers 'business visitors' being persons:

- not based within Malaysia,
- receiving no remuneration from a source located within Malaysia,
- have been employed for at least one year by a foreign service supplier,
- whose entry and temporary stay is for the purpose of negotiating for the sale of services or entering into agreements to sell services for that service supplier, and who will not engage in direct sales to the general public.

Entry and stay of such natural persons shall not exceed a total of five (5) years.

Under AFAS, for the supply of services through mode 4, eight (8) specialists/experts are allowed for accounting, auditing and bookkeeping services, and two (2) specialists/experts are allowed for taxation services for each institution. Under accounting and auditing services, it is subject to the eligibility of being registered as a member of MIA based on the fulfilment of the recognised qualification, working experience and residency requirement. Entry shall be limited to a maximum period of two (2) years. Auditing services must be authenticated by a licensed auditor in Malaysia. For taxation services, two (2) specialists/experts are allowed for each institution, subject to registration as a tax agent under Section 153, of the Income Tax Act, 1967 and fulfilment of residency requirements. Entry shall be limited to a maximum period of two (2) years. Taxation services must be authenticated by an authorised tax agent in Malaysia.



**Malaysian Investment Development Authority**

MIDA Sentral, No.5, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia

Tel: (603) 2267 3633 Fax: (603) 2274 7970 Website: [www.mida.gov.my](http://www.mida.gov.my)

E-mail: [investmalaysia@mida.gov.my](mailto:investmalaysia@mida.gov.my)

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