GENERAL POLICIES, FACILITIES AND GUIDELINES

MALAYSIA: INVESTMENT IN THE SERVICES SECTOR

MIDA
MALAYSIAN INVESTMENT DEVELOPMENT AUTHORITY

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
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MIDA is the Government's principal investment promotion and development agency under the Ministry of International Trade and Industry (MITI) to oversee and drive investments into the manufacturing and services sectors in Malaysia. Headquartered in Kuala Lumpur Sentral, MIDA has 12 regional and 21 overseas offices. MIDA continues to be the strategic partner to businesses in seizing the opportunities arising from the technology revolution of this era. For more information, please visit www.mida.gov.my and follow us on Twitter, Instagram, Facebook, LinkedIn, TikTok and YouTube channel.

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GENERAL POLICIES, FACILITIES AND GUIDELINES

BOOKLET 1

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GENERAL POLICIES, FACILITIES AND GUIDELINES

CHAPTER I: ESTABLISHING YOUR BUSINESS PRESENCE IN MALAYSIA

Malaysia is an ideal place to set up a business, with a range of business entities that can be registered to suit everyone's needs. Whether you are just testing the waters, or intend to commit wholeheartedly into setting up your business, there is an appropriate business entity to allow you to get started on your business journey in Malaysia.

1. REGISTERING BUSINESS ENTITIES IN MALAYSIA

Methods of Conducting Business in Malaysia
In Malaysia, a business may be conducted:

- By an individual operating as a sole proprietor, or
- By two or more (but not more than 20) persons in partnership, or
- By a locally incorporated company, or
- By a foreign company, or
- By a limited liability partnership (LLP).

1.1 Registration of Sole Proprietor & Partnership

The first two business entities, i.e. sole proprietor and partnership, must be registered with the Companies Commission of Malaysia (SSM) under the Registration of Businesses Act 1956. In the case of partnerships, partners are both jointly and severally liable for the debts and obligations of the partnership should its assets be insufficient. A formal partnership deed may be drawn up governing the rights and obligations of each partner, but this is not obligatory. The sole proprietor and partnership entities can only be owned by citizens or permanent residents.

1.2 Registration of Company

The Companies Act 2016 (CA 2016) governs all companies in Malaysia. The Act stipulates that a company must be registered with SSM to engage in any business activity.

1.2.1 Types of Companies

There are three (3) types of companies that can be incorporated under the CA 2016:

a. A company limited by shares is a company formed on the principle that the members' liability is limited to the amount, if any, unpaid on the shares taken up by them;

b. A company limited by guarantee is a company where the liability of the members is limited to the amount which the members have undertaken to contribute to the assets of the company in the event the company is wound up; or

c. An unlimited company is a company formed on the principle of having no limitation on the liability of its members.

1.2.2 Company Limited by Shares

The most common company structure in Malaysia is a company limited by shares, which may be incorporated either as a private or public company. These two (2) entities could be distinguished by the end of the company's name i.e. "Sendirian Berhad" or "Sdn. Bhd." for private companies and "Berhad" or "Bhd." for public companies.

A company having a share capital may be incorporated and remain as a private company if it:

- Restricts the right to transfer its shares;
- Limits the number of its members to 50, excluding employees in the employment of the company or its subsidiary and some former employees of the company or its subsidiary;
- Prohibits any invitation to the public to subscribe for its shares and debentures; and
- Prohibits any invitation to the public to deposit money with the company for fixed periods payable at call, whether interest-bearing or interest-free.

A public company can be formed, or alternatively, a private company can be converted into a public company, subject to Section 41 of the CA 2016. Such a company can offer shares to the public provided:

- It has registered a prospectus with the Securities Commission under the Capital Markets and Services Act 2007; and
- It has lodged a copy of the prospectus with the SSM on or before the date of its issue.

1.2.3 Procedure for Incorporation

To incorporate a company, an application must be made to SSM through the MyCoID 2016 Portal by providing the following information:

- The name of the proposed company;
- Whether the company will be private or public;
- The nature of business of the proposed company;
- The proposed registered address;
- The name, identification, nationality, and ordinary place of residence of every member of the company;

- The name, identification, nationality and ordinary place of residence of every person who is to be director;
- In the case of a company limited by shares, the details of class and number of shares to be taken by every member; and
- In the case of a company limited by guarantee, the amount up to which every member undertakes to contribute to the assets of the company in the event of its being wound up.

The application must be accompanied by a fee of RM1,000 in the case of a company limited by shares, or RM3,000 in the case of a company limited by guarantee.

Once the Registrar is satisfied with the information provided, a notice of registration will be emailed to the applicant. The notice serves as conclusive evidence that the requirements with respect to registration, and matters precedent and incidental to the registration, have been complied with.

1.2.4 Client's Charter

SSM is committed to process, approve, and register a complete application in a speedy and efficient manner within the time period stated:

Activity	Time
COMPANY REGISTRATION	
*Incorporation of a company	1 working day
Conversion of status	1 working day
Change of company name	1 working day
Commencement of business for public companies	1 working day
Registration of charge	2 working days
Approval of a trust deed	5 working days
Registration of prospectus	3 working days
Uncertified copy of company documents	30 minutes
Certified copy of company documents	1 hour

Note: Time taken begins from the moment payment is received until the certificate is issued.

**Application for the availability and reservation of a company's name may be made separately prior to incorporating the company.*

1.2.5 Requirements of a Locally Incorporated Company

A company must maintain a registered office in Malaysia where all books and documents required under the provisions of the Act are kept. The name of the company shall appear in legible Romanised letters, together with the company number, on its seal, official documents, publications, and website, if any.

A company cannot deal with its own shares or hold shares in its holding company. A holder of a share has the right to vote on a show of hands on any resolution of a company at a general meeting. In the case of a poll, each equity share of a company carries the right to one vote.

The secretary of a company must be a natural person of full age who has his principal or only place of residence in Malaysia. He must be a member of a prescribed body or is licensed by the Registrar of Companies. The company must also appoint an approved company auditor to be the company auditor in Malaysia.

In addition, a private company is required to have at least one director, while a public company must have at least two directors. Each of the minimum director(s) must have his principal or only place of residence within Malaysia. The minimum age of a director is 18 years old and the CA 2016 does not specify any maximum age. A director of the company need not necessarily be a shareholder of the company.

1.3 Registration of Foreign Company

A foreign company may carry on business in Malaysia by either:

- Incorporating a local company; or
- Registering a branch in Malaysia.

A foreign company is defined under the CA 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.

1.3.1 Registration Procedures

a. An applicant must first conduct a name search in order to determine if the proposed name for the intended company is available. The name used to register the foreign company should be the same as that registered in its country of origin.

   Applications for name reservations should be submitted to SSM through the MyCoID 2016 Portal, with a payment of RM50 for each name applied. When the proposed company's name is approved by SSM, it shall be reserved for 30 days from the date of approval.

b. Upon receiving the company's name approval, applicants must submit the following registration documents to SSM within 30 days from the date of approval:

   - Application for registration of foreign company under section 562(1) CA 2016;
   - A certified copy of the certificate of incorporation or registration of the foreign company;
   - A certified copy of the foreign company's charter, statute, or Memorandum, and Articles of Association or any other instrument defining its Constitution;
   - For directors who reside in Malaysia, and are members of the local board of directors of the foreign company, a memorandum stating that their powers can be executed by or on behalf of the foreign company should be submitted to SSM;

- A memorandum of appointment or power of attorney, authorising the person(s) (agent) residing in Malaysia to accept on behalf of the foreign company any notices required to be served on such foreign company; and
- Additional documents consisting of a copy of the application of reservation of name and a copy of the email from SSM approving the name of the foreign company.

Note: If any of the described registration documents are in languages other than Bahasa Malaysia or English, a certified translation of such documents in Bahasa Malaysia or English shall be required.

c. Registration fees shall be made to the SSM as per the following schedule:

Share Capital (RM)	Fees Payable (RM)
Up to 1,000,000	5,000
1,000,001 – 10,000,000	20,000
10,000,001 – 50,000,000	40,000
50,000,001 - 100,000,000	60,000
100,000,001 and above	70,000

In determining the amount of registration fees, the share capital of the foreign company should first be converted to Ringgit Malaysia at the prevailing exchange rate.

In the event a foreign company does not have any share capital, a flat rate of RM70,000 shall be paid to SSM.

d. A Notice of Registration will be issued by SSM upon compliance with the registration procedures and submission of duly completed registration documents;

e. Upon approval, the company or its agent is responsible for ensuring compliance of the CA 2016. Any change in the particulars of the company or in the company's name must be filed with SSM within 14 days from the date of change, together with the appropriate fees. Any change in the share capital of the company must be notified to SSM within 14 days of such change. Every company is required to keep proper accounting records. Annual returns must be lodged with SSM once in every calendar year not later than 30 days from the anniversary of its registration date.

Note: Foreigners are advised to seek the services of an advocate and solicitor, an accountant, or a practicing company secretary for further assistance.

1.4 Limited Liability Partnership (LLP)

1.4.1 Features of an LLP

An LLP is an alternative business vehicle regulated under the Limited Liability Partnerships Act 2012, which combines the characteristics of a company and a conventional partnership.

An LLP is a body corporate and has a legal personality separate from its partners. Like any other body corporate, an LLP has perpetual succession. Any changes in the partners will not affect the existence, rights, or liabilities of the LLP. An LLP has unlimited capacity, and is capable of suing and being sued, as well as acquiring, owning, holding, and developing or disposing of property. An LLP may do and suffer such other acts and things as bodies corporate may lawfully do and suffer. An LLP is a business vehicle that would offer simple and flexible procedures in terms of its formation, maintenance, and termination.

The registration fee for a new LLP and conversion is RM500. The fee for the application of reservation of name is RM30.

1.4.2 Who may form an LLP

An LLP may be formed by a minimum of two persons (wholly or partly individuals or bodies corporate) for any lawful business with a view of profit, and in accordance with the terms of the LLP agreement. Any individual or body corporate can be a partner.

However, an LLP formed for professional practice must consist of natural persons of the same profession, and have in force professional indemnity insurance as approved by the Registrar.

Thus, LLPs may be set up by the following:

- Start Ups;
- Small & Medium Sized Businesses;
- Professionals;
- Joint Ventures; or
- Venture Capitalists.

1.4.3 Procedure for Registration

To register an LLP, all applications should be submitted via the MyLLP portal. The applicant must provide the following information together with a fee of RM500:

- Proposed name of the LLP;
- Nature of business;
- Address of the registered office;
- Name and details of the partners;
- Name and details of the compliance officer; and
- The approval letter (in the case of professional practices).

Upon satisfaction that the application has complied with the requirement of registration, a notice of registration is issued together with its registration number. Notice of registration serves as conclu-sive evidence that the LLP has been registered. Registration does not mean that requirements of other written laws relating to the business of the LLP have been fulfilled. The name of the LLP shall end with "Perkongsian Liabiliti Terhad" or the abbreviation "PLT".

1.4.4 Conversion to an LLP

Apart from new registration, existing entities may also convert to an LLP. The entities which are allowed to convert are:

- Conventional partnerships which have been registered under the Registration of Businesses Act 1956 or any partnership established by two or more persons for the carrying on any professional practice; or
- Private companies incorporated under the CA 2016 or any previous corresponding law.

The eligibility criteria for a conventional partnership to convert into an LLP are as follows:

- Same partners and no one else;
- At the date of application, the conventional partnership appears to be able to pay its debts; and
- In cases of professional practice, the approval letter from the governing body.

The eligibility criteria for a private company for conversion are:

- Same shareholders and no one else;
- There are no subsisting security interests in its assets;
- At the date of application, the private company is solvent;
- All outstanding statutory fees to government agencies have been settled;
- Advertisement has been placed in a widely circulated newspaper and the Gazette; and
- All creditors agreed to the conversion.

The effects of conversion are as follows:

- Same shareholders and no one else;
- There are no subsisting security interests in its assets;
- At the date of application, the private company is solvent;
- All outstanding statutory fees to government agencies have been settled;
- Advertisement has been placed in a widely circulated newspaper and the Gazette; and
- All creditors agreed to the conversion.

1.4.5 Requirements of an LLP

An LLP must appoint at least one compliance officer who may be either one of the partners or persons qualified to act as a secretary under the CA 2016. The compliance officer must be either a citizen or permanent resident of Malaysia who ordinarily resides in Malaysia. A person is disqualified to act as a compliance officer if he is an undercharged bankrupt, or is disqualified to act as a director or secretary under the CA 1965.

An LLP must maintain a registered office in Malaysia where communications and notices may be addressed. The LLP has the obligation to keep at the registered office a notice of registration issued under this Act, a copy of the LLP agreement, the register of name and address of each partner and compliance officer, a copy of the latest annual declaration, and if any, a copy of any instrument creating a charge.

An LLP is required to keep accounting records as to show the true and fair view of the state of affairs of the LLP. There is no requirement for the appointment of an auditor unless specifically provided for in the LLP agreement.

1.5 E-Services

Besides over the counter services, SSM introduces E-Services as an alternative for online submissions and product purchases. Among E-Services portals are:

- Ezbiz Online for registration of business, renewal, changes of particulars, and termination;
- MyCoID for registration of a company, changes of particulars, and charges;
- MyLLP for registration of an LLP, changes of particulars, Annual Declaration, and winding up;
- SSM e-info and MyData for product purchases such as corporate and business information document images and Digital Certified True Copies (DCTC); and
- MBRS for submission of a company's Annual Return, Financial Statements, and Reports.

In addition, once a company is incorporated at SSM, MyCoID enables the automatic population of data and simultaneous registration with the Employees Provident Fund (EPF), the Inland Revenue Board of Malaysia (IRB), the Social Security Organisation (SOCSO), Small and Medium Enterprise Corporation (SME Corp), and the Human Resources Development Fund (HRDF), via a single submission.

For further information please visit SSM's website at www.ssm.com.my, or https://www.ssm-einfo.com.my/, or https://www.mydata-ssm.com.my/.

2 GUIDELINES ON EQUITY POLICY

CA 2016 does not stipulate any equity conditions on Malaysian-incorporated companies. However, to increase local participation in business, the Government encourages joint ventures/partnerships between Malaysians and foreign investors. Specific equity conditions may be imposed for specific approvals, operating licences, permits, or registrations by the regulating Ministries/Agencies, depending on the activities undertaken. Specific equity policies for service activities covered in this series of guidebooks can be obtained from the relevant booklets.

2.1 Autonomous Liberalisation

Recognising the growth potential in the services sector, the Government liberalised 27 services sub-sectors on 22 April, 2009, with no equity condition imposed.

These sub-sectors are:

Computer and Related Services

- Consultancy services related to the installation of computer hardware;
- Software implementation services - systems and software consulting services: systems analysis services; systems design services; programming services; and systems maintenance services;
- Data processing services - input preparation services: data processing and tabulation services; time sharing services; and other data processing services;
- Data base services;
- Maintenance and Repair Services of Computers; and
- Other services – data preparation services: training services; data recovery services; and development of creative content.

Health and Social Services

- All veterinary services;
- Welfare services delivered through residential institutions to aged and the handicapped;
- Welfare services delivered through residential institutions to children;
- Child day-care services including day-care services for the handicapped; and
- Vocational rehabilitation services for handicapped.

Tourism Services

- Theme Park;
- Convention and Exhibition Centre (seating capacity of above 5,000);
- Travel Agencies and Tour Operators Services (For inbound travel only);
- Hotel and Restaurant services (for 4- and 5-star hotels only);
- Food Serving Services (for services provided in 4- and 5-star hotels only); and
- Beverage Serving Services for consumption on the premises (for services provided in 4- and 5-star hotels only).

Transport Services

- Class C Freight Transportation (Private Carrier License – to transport own goods).

Sporting and other recreational services

- Sporting Services (Sports event promotion and organisation services).

Business Services

- Regional Distribution Centre;
- International Procurement Centre;

- Technical Testing and Analysis Services - composition and purity testing and analysis services, testing and analysis services of physical properties, testing and analysis services of integrated mechanical and electrical systems, and technical inspection services; and
- Management Consulting Services - general, financial (excluding business tax), marketing, human resources, production, and public relations services.

Rental/Leasing Services without Operators

- Rental/Leasing services of ships that excludes cabotage and offshore trades; and
- Rental of cargo vessels without crew (Bareboat Charter) for international shipping,

Supporting and Auxiliary Transport Services

- Maritime Agency services; and
- Vessel salvage and refloating services.

The Government had further liberalised an additional 18 services sub-sectors in 2012 to allow up to 100 per cent foreign equity participation in phases. These sub-sectors are:

- Telecommunications for Application Service Provider – ASP licence;
- Telecommunications for Network Service Provider – NSP and Network Facilities Provider NFP licences;
- Courier services;
- Private Hospitals ;
- Medical Specialists Clinics ;
- Dental Specialists Clinics;
- Private Universities;
- International Schools;
- Technical and Vocational Schools ;
- Technical and Vocational Schools for students with special needs;
- Skills Training Centres;
- Accounting (including audit) and taxation;
- Architectural services;
- Engineering services;
- Legal services;
- Departmental and Specialty stores;
- Incineration services; and
- Quantity Surveying services.

The Government progressively undertakes liberalisation of services sub-sectors on an ongoing basis.

Please refer to MITI's website at www.miti.gov.my or myservices.miti.gov.my/web/guest/autonomous/ for information on liberalisation.

2.2 Protection of Foreign Investment

Malaysia's commitment in creating a safe investment environment has attracted more than 8,000 international companies from over 40 countries to make Malaysia their offshore base.

Equity Ownership

A company whose equity participation has been approved will not be required to restructure its equity at any time if the company continues to comply with the original conditions of approval and retain the original features of the project.

Investment Guarantee Agreements (IGAs)

Malaysia's readiness to conclude IGAs is a testimony of the Government's desire to increase foreign investors' confidence in Malaysia. IGAs will:

- Protect against nationalisation and expropriation;
- Ensure prompt and adequate compensation in the event of nationalisation or expropriation;
- Provide free transfer of profits, capital, and other fees; and
- Ensure settlement of investment disputes under the Convention on the Settlement of Investment Disputes, of which Malaysia has been a member since 1966.

Malaysia has concluded IGAs with the following groupings and countries (in alphabetical order):

Groupings

- Association of Southeast Asian Nations (ASEAN)
- Organisation of Islamic Countries (OIC)

Countries

Countries		
Albania	Ghana	Peru
Algeria	Guinea	Poland
Argentina	Hungary	Romania
Austria	India	Saudi Arabia
Bahrain	Indonesia**	Senegal
Bangladesh	Iran	Slovak, Republic of
Belgo-Luxembourg	Italy	Spain
Bosnia Herzegovina	Jordan	Sri Lanka
Botswana	Kazakhstan	Sudan, Republic of
Burkina Faso	Korea, North	Sweden

Cambodia	Korea, South	Switzerland
Canada*	Kuwait	Syrian Arab Republic
Chile, Republic of	Kyrgyz, Republic of	Taiwan
China, People's Republic of	Laos	Turkey
Croatia	Lebanon	Turkmenistan
Cuba	Macedonia	United Arab Emirates
Czech Republic	Malawi	United States of America*
Denmark	Mongolia	United Kingdom
Djibouti, Republic of	Morocco	Uruguay
Egypt	Namibia	Uzbekistan
Ethiopia, Republic of	Netherlands	Vietnam
Finland	Norway	Yemen
France	Pakistan	Zimbabwe
Germany	Papua New Guinea	

*USA & CANADA - Insurance Guarantee Agreement

**Indonesia notified termination 20th June 2014 and termination will come into force from 20th June 2015

Convention on the Settlement of Investment Disputes

In the interests of promoting and protecting foreign investments, the Malaysian Government ratified the provisions of the Convention on the Settlement of Investment Disputes in 1966. The Convention, established under the auspices of the International Bank for Reconstruction and Development (IBRD), provides international conciliation or arbitration through the International Centre for Settlement of Investment Disputes located at IBRD's principal office in Washington.

Kuala Lumpur Regional Centre for Arbitration

The Kuala Lumpur Regional Centre for Arbitration was established in 1978 under the auspices of the Asian-African Legal Consultative Organization (AALCO) – an inter-governmental organisation cooperating with and assisted by the Malaysian Government.

A non-profit organisation, the Centre serves the Asia Pacific region. It aims to provide a system to settle disputes for the benefit of parties engaged in trade, commerce, and investments with and within the region.

Any dispute, controversy, or claim arising out of or relating to a contract, or the breach, termination, or invalidity thereof, shall be decided by arbitration in accordance with the Rules for Arbitration of the Kuala Lumpur Regional Centre for Arbitration.

3 INCENTIVES FOR THE SERVICES SECTOR

Pioneer Status (PS)

A company granted PS enjoys a five (5)-year partial income tax exemption on 70 per cent of its statutory income. It pays tax on 30 per cent of its statutory income[1].

Unabsorbed capital allowances incurred during the pioneer period can be carried forward and deducted from the post-PS income of the company. Accumulated losses incurred during the PS period can be carried forward and deducted from the post-PS income of the company for a period of seven (7) consecutive years.

Applications for PS should be submitted to MIDA online via the InvestMalaysia Portal. For more information, visit the Forms and Guidelines section on MIDA website.

Investment Tax Allowance (ITA)

As an alternative to PS, a company may apply for ITA. A company granted ITA is entitled to an allowance of 60 per cent on its qualifying capital expenditure incurred within five (5) years from the date the first qualifying capital expenditure is incurred.

The company can offset this allowance against 70 per cent of its statutory income for each year of assessment. Any unutilised allowance can be carried forward to subsequent years until fully utilised. The remaining 30 per cent of its statutory income will be taxed at the prevailing company tax rate.

Applications for ITA should be submitted to MIDA online via the InvestMalaysia Portal. For more information, visit the Forms and Guidelines section on MIDA website.

[1] *Statutory Income is derived after deducting expenditure and capital allowances from the gross income.*

CHAPTER II: OPTIMISING YOUR BUSINESS TAX OBLIGATIONS IN MALAYSIA

Like all other countries in the world, Malaysia has to balance between attracting investments into the country and obtaining sufficient tax revenue to fund necessary Government expenditures. By understanding how income is taxed in Malaysia, as well as the various deductions and allowances provided under the law, you can ensure that you pay the appropriate amount of tax you are legally required to.

1. TAXATION IN MALAYSIA

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 the business of banking, insurance, or sea or air transport) for a year of assessment (YA), which is derived from sources outside Malaysia, is exempted from tax.

In an effort to modernise and streamline the tax administration system, the self-assessment system was implemented for companies, sole proprietors, partnerships, cooperatives, and salaried groups, and the assessment of income tax is based on a current-year basis.

2. CLASSES OF INCOME ON WHICH TAX IS CHARGEABLE

The income on which tax is chargeable is income in respect of:

- gains or profits from a business, for whatever period of time carried on;
- gains or profits from employment (salaries, remunerations, etc.);
- dividends, interests, or discounts;
- rents, royalties, or premium;
- pensions, annuities, or other periodical payments; and
- other gains or profits of an income nature.

Chargeable income is arrived at after adjusting for allowable expenses incurred in the production of the income, capital allowances, and incentives where applicable. Section 34 of the Income Tax Act 1967 allows specific provisions for bad or doubtful debts. However, no deduction for book depreciation is allowed, although capital allowances are granted. Unabsorbed business losses can only be carried forward for seven (7) consecutive years, and any balance unabsorbed which is not deductible at the end of that period will be disregarded.

3. COMPANY TAX

3.1 Resident status

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

3.2 Income Tax Rates

Effective from YA 2016, the corporate tax rate is 24 per cent. This rate is also applicable to the following entities:

- a trust body;
- an executor of an estate of an individual who was domiciled outside Malaysia at the time of his death;
- a receiver appointed by the court; and
- a limited liability partnership (LLP).

Resident companies and LLPs with paid-up capital/capital contribution of RM2.5 million or less at the beginning of the basis period for a YA, and with annual sales of not more than RM50 million, will be taxed at the following rates:

On the first RM600,000 chargeable income	-	17 per cent
On subsequent chargeable income	-	24 per cent

A person carrying on petroleum upstream operations is subject to a Petroleum Income Tax of 38 per cent.

3.3 Tax Deductions

In general, the adjusted income is ascertained by deducting from the gross income all outflows and expenses wholly and exclusively incurred in the production of gross income.

Payment of zakat perniagaan is allowed as a deduction in ascertaining the total income of a company. However, the amount deducted shall not exceed 2.5 per cent of its aggregate income in the relevant YA.

Other deductions allowed for contributions includes:

(a) the Government, State Government, local authorities; or

(b) institutions or organisations approved by the Director General of Inland Revenue Board Malaysia (DGIR); or

(c) sports activities approved by the Minister of Finance or Commissioner of Sports; or

(d) projects of national interest approved by the Minister of Finance.

The contributions in respect of (b), (c), and (d) shall not exceed 10 per cent of the aggregate income of the company in the relevant YA.

4. PERSONAL INCOME TAX

4.1 Resident status

An individual's tax-resident status is determined by the duration of his stay in Malaysia as stipulated under Section 7 of the Income Tax Act 1967. Generally, an individual who is in Malaysia for at least 182 days in a calendar year is regarded as a tax resident.

4.2 Rates of tax for Resident Individual

A resident individual is taxed on his chargeable income after deducting personal reliefs at a scaled rate from 0 per cent to 30 per cent with effect from YA 2020.

4.2.1 Personal Relief

The chargeable income of resident individuals is computed by deducting personal reliefs from the total income. The types of relief available are as follows:

No.	Individual Relief Types	Amount (RM)
1	Self and Dependent	9,000
2	Medical treatment, special needs or carer expenses for parents	8,000 (Limited)
3	Purchase of basic supporting equipment for disabled individual, spouse, children, or parents	6,000 (Limited)
4	Disabled Individual	6,000
5	Education Fees	7,000 (Limited)
6	Medical expenses for individual, spouse, and children on treatment for serious diseases and fertility treatment on individual or spouse (including up to RM1,000 for a complete medical examination and up to RM1,000 for vaccination)	8,000 (Limited)
7	Lifestyle • Purchase or subscription of books, journals, magazines, publications, and electronic newspapers; • Purchase of personal computers, smartphones, or tablets; • Purchase of sport equipment for sport activities; and • Subscription fees for broadband Internet registered in the name of the individual	2,500 (Limited)
8	Net saving in SSPN's scheme (until YA 2022)	8,000 (Limited)
9	Husband/Wife/Alimony Payments	4,000 (Limited)
10	Disabled Wife/Husband	5,000
11	Ordinary Child Relief	2,000 (Limited)
12	Each unmarried child of 18 years old and above who is receiving full-time education (A-Level, certificate, matriculation, or preparatory courses).	2,000 (Limited)
13	Each unmarried child of 18 years old and above that is: • receiving further education in Malaysia in respect of an award of diploma or higher (excluding matriculation/ preparatory courses). • receiving further education outside Malaysia in respect of an award of degree or its equivalent (including Masters or Doctorate). The instruction and educational establishment shall be approved by the relevant Government authority.	8,000 (Limited)

14	Disabled child Additional exemption of RM 8,000 for each disabled child aged 18 years old and above, not married, and pursuing diplomas or higher qualification in Malaysia, or a bachelor degree or higher outside Malaysia in a Higher Education Institute that is accredited by related Government authorities	6,000 (Limited)
15	Life insurance and EPF	Life Insurance : 3,000 (Limited) EPF : 4,000 (Limited) Civil Servants who have opted for pension retirement scheme : 7,000 (Limited)
16	Contribution for Private Retirement Scheme approved by Securities Commission and deferred annuity	3,000 (Limited)
17	Insurance premium for education or medical benefit	3,000 (Limited)
18	Contribution for Social Security Organisation (SOCSO)	250 (Limited)
19	Purchase of breastfeeding equipment	1,000 (Limited)
20	Fees paid to child care centres and kindergartens	3,000 (Limited)
21	Purchase of sports equipment, rental/entry fees for sports facilities and registration fees in sports competition	500 (Limited)

4.2.2 Tax Rebate

The tax imposed on a resident individual is reduced by way of the following rebates:

- Income Tax Rebates for Resident Individual With Chargeable Income Less Than RM35,000

  An individual with a chargeable income not exceeding RM35,000 enjoys a rebate of RM400. Where the spouse is not working or the spouse's income is jointly assessed, that individual also enjoys a further rebate of RM400.

No.	Tax Rebate	Year of Assessment 2009 Onwards (RM)
a	Separate Assessment - Wife - Husband	 400 400
b	Combined Assessment - Wife - Husband	 400 400
	Total	800

c	Assessment Where Husband Or Wife Does Not Have Any Total Income - Wife - Husband	 400 400
	Total	800

- Other Tax Rebates

No.	Tax Rebate	(RM)
a	Zakat/Fitrah	Subject to the maximum of tax charged
b	Departure levy paid for performing umrah and pilgrimage to holy places (twice in a life time)	Actual amount expended

4.3 Non-Resident Individual

Effective from YA 2020, a non-resident individual is liable to tax at the rate of 30 per cent without any personal relief.

5. WITHHOLDING TAX

Non-resident individuals are subject to a final withholding tax of 10 per cent on special classes of income such as:

a. in consideration of services rendered by the person or his employee in connection with the use of property or rights, installation of or operation of any plant, machinery, or other apparatus;

b. in consideration of any advice given, or assistance or services rendered in connection with the management or administration of any scientific, industrial, or commercial undertaking, venture, project, or scheme; and

c. rent or other payments made under any agreement or arrangement for the use of any moveable property.

Withholding tax will not be applicable for income received in respect of the services (a) and (b) rendered or performed outside Malaysia.

Effective from 1 January 2009, to reduce the cost of technical services provided by non-residents, reimbursements or disbursement relating to hotel accommodation in Malaysia will not be included in the computation of gross technical fees for the purpose of withholding tax.

In the case of withholding tax not paid, a penalty of 10 per cent is imposed only on the amount of unpaid tax and not on the total payment made to a non-resident.

6. REAL PROPERTY GAINS TAX

Capital gains are not subject to income tax in Malaysia. However, real property gains tax (RPGT) is charged on chargeable gains arising from the disposal of chargeable assets situated in Malaysia such as houses, commercial buildings, farms, and vacant land. Chargeable assets include any 'land' situated in Malaysia and any interest, option, or other right in or over such land, as well as the disposal of shares in real property companies.

Effective from 1 January 2021, gains from the disposal of chargeable assets are taxed between 5 per cent and 30 per cent depending on the holding period of real properties as follows:

Holding Period	RPGT Rates		
	Part I	Part II	Part III
	Other than Part II and Part III. (Example: Individual)	Company Incorporated in Malaysia or trustee of a trust or society registered under the Societies Act 1966	Not a Citizen and Not a Permanent Resident or an executor of the estate of a deceased person who is not a citizen and not a permanent resident or a company not incorporated in Malaysia
Within 3 Years	30 per cent	30 per cent	30 per cent
In The 4th Year	20 per cent	20 per cent	30 per cent
In The 5th Year	15 per cent	15 per cent	30 per cent
In The 6th & Subsequent Years	5 per cent	10 per cent	10 per cent

Generally, RPGT is charged on chargeable gains after deducting permitted expenses. Aside from that, there are some tax privileges granted as follows:

- A once-in-a-lifetime tax exemption of one private residence disposed by an individual who is a citizen or a permanent resident.
- An exemption of RM10,000 or 10 per cent of the chargeable gain (whichever is greater) on the disposal of chargeable assets by an individual.
- No gain and/or loss for the disposal of a chargeable asset by way of a gift between husband and wife, parent and child, or grandparent and grandchild, provided that the donor is a citizen.

For further information on company and individual tax, visit www.hasil.gov.my.

7. SALES AND SERVICES TAX

Effective from 1 September 2018, Sales Tax Act 2018 and the Service Tax Act 2018, together with their respective subsidiary legislations, are introduced to replace the Goods and Services Tax (GST) Act 2014.

7.1 Sales Tax

Under the Sales Tax Act 2018, sales tax is charged and levied on imported and locally-manufactured goods either at the time of importation, or at the time the goods are sold or otherwise disposed of by the registered manufacturer.

Sales tax administered in Malaysia is a single stage tax imposed on the finished goods manufactured in Malaysia and goods imported into Malaysia.

Sales tax is imposed on taxable goods manufactured in Malaysia by any registered manufacturer at the time the goods are sold, disposed of other than by sales, or used other than as a material in the manufacture of goods.

Sales tax on imported goods is charged when the goods are declared, any duty paid, and released from Customs control.

Manufacturers who manufacture taxable goods with sales value which exceeds RM500,000 within the period of 12 months are required to be registered pursuant to Section 12 Sales Tax Act 2018.

Manufacturers who manufacture taxable goods with sales value of RM500,000 and below have the option to be registered on a voluntary basis under Section 14 of the Sales Tax Act 2018 to enable them to enjoy the facilities given under the Act.

Manufacturers who carry out business as subcontractors, and where the total labour charge of the subcontracted works exceeds RM500,000 within 12 months, are required to be registered pursuant to Section 12 of the Sales Tax Act 2018.

7.1.1 Rates of Sales Tax

Sales tax is an ad valorem tax and different rates apply (5 per cent and 10 per cent) based on the grouping of the taxable goods as indicated in the provision.

Sales tax for petroleum is charged at a specific rate that is different from other taxable goods.

7.2 Service Tax

Service tax in Malaysia is a form of indirect single stage tax imposed on specified services termed as "taxable services". The service tax cannot be levied on any service which is not included in the list of taxable services prescribed by the Minister under the First Schedule of Service Tax Regulations 2018.

The Service Tax Act 2018 (STA 2018) applies throughout Malaysia excluding designated areas, free zones, licensed warehouses, licensed manufacturing warehouses (LMWs), and Joint Development Areas (JDAs).

7.2.1 Taxable Service

Taxable services are any services which are listed in the various categories in the First Schedule of Service Tax Regulations 2018. Any taxable person providing taxable services and exceeding the respective thresholds is required to be registered. The categories are accommodation, food and beverage operator, night-clubs, dance halls, health and wellness centres, private clubs, golf clubs and golf driving ranges, betting and gaming services, professional services, and other service providers such as insurance, telecommunications, parking operators, advertising etc.

7.2.2 Charge to Tax

Service tax is charged on any provision of taxable services provided in Malaysia by a registered person in carrying on his business.

Service tax is due and payable when payment is received for any taxable service provided to a customer by the registered person. Service tax is not chargeable for imported and exported services under the STA 2018.

7.2.3 Rate of Service Tax

The rate of service tax is fixed under the Service Tax (Rate of Tax) Order 2018 and came into force on 1 September 2018. The rate of service tax is 6 per cent of the price or premium for insurance policy, value of betting and gaming etc. of the taxable service as determined under section 9 of STA 2018.

7.2.4 Rate of Service Tax for Credit and Charge Cards

The rate of service tax on the provision of credit card or charge card services is RM25 per year on principal and supplementary cards alike. 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.

For more information, please visit https://mysst.customs.gov.my.

8. IMPORT DUTY

In Malaysia, import duty is mostly imposed ad valorem although some specific duties are imposed on a number of items. Nevertheless, in line with trade liberalisation, import duties on a wide range of goods have been reduced or abolished.

Furthermore, Malaysia is committed to the ASEAN Trade in Goods Agreement (ATIGA), under which import duties on more than 99 per cent of goods traded within ASEAN have been effectively eliminated on 1 January 2010.

Malaysia continues to participate in negotiations of free trade arrangements in areas of trade in goods, rules of origin, and investments. To date, Malaysia has concluded bilateral free trade agreements with Japan, Pakistan, New Zealand and India, Chile and Australia, and also regional agreements under ASEAN with PRC, Japan, Republic of Korea, Australia/New Zealand, Hong Kong SAR, and India. Under these agreements, import duties will be reduced or eliminated according to the agreed schedules.

The Regional Comprehensive Economic Partnership (RCEP), which was launched in November 2012, was signed on 15 November 2020 by 10 ASEAN Member States (AMS) and five ASEAN FTA Partners (Australia, PRC, Japan, Republic of Korea, and New Zealand).

Currently, AMS and AFP are working towards ratifying the RCEP, which is expected to enter into force by the 4th quarter of 2022. The Agreement stipulates that at least six (6) AMS and three (3) AFPs would have to ratify the Agreement for it to enter into force.

9. EXCISE DUTY

Excise duties are levied on selected products manufactured in or imported into Malaysia; namely, cigarettes, tobacco products, alcoholic beverages, playing cards, mah-jong tiles, and motor vehicles. While excise duties are charged at ad valorem rates for motor vehicles, playing cards, and mah-jong tiles, they are imposed at a combination of specific and ad valorem rates for cigarettes, tobacco products, and alcoholic beverages.

10. CUSTOMS APPEAL TRIBUNAL AND CUSTOMS RULING

The Customs Appeal Tribunal (CAT) is an independent body established to adjudicate appeals against the decision of the Director General of Customs pertaining to matters under the Customs Act 1967, Sales Tax Act 1972, Services Tax Act 1975, and Excise Act 1976.

In addition, the Customs Ruling was introduced under the Customs Act 1967, Sales Tax Act 1972, Services Tax Act 1975, and Excise Act 1976 to provide business sectors with the elements of certainty and predictability in planning their business activities.

The ruling issued by the Customs, and agreed to by the applicant, shall be legally binding on the applicant for a specific period of time. The main features of Customs Ruling are:

- applications for Customs Rulings can be made with respect to classification of goods, determination of taxable services, and the principles of determination of the value of goods and services;
- applications should be made in writing together with sufficient facts and the prescribed fees; and
- applications may be made before the goods are imported or the services are provided, upon which Customs will issue an Customs Ruling.

11. DOUBLE TAXATION AGREEMENT

A Double Taxation Agreement (DTA) is an agreement between two countries seeking to avoid double taxation, by defining the taxing rights of each country with regards to cross-border flows of income and providing for tax credits or exemptions to eliminate double taxation.

The objectives of Malaysian DTA are as follows:

- to create a favourable climate for both inbound and outbound investments;
- to make Malaysia's special tax incentives fully effective for taxpayers of capital-exporting countries; and
- to obtain a more effective relief from double taxation compared to relief gained under unilateral measures; and
- to prevent evasion and avoidance of tax.

Like many other countries in the developed as well as the developing world, Malaysia too cannot absolve herself from the need to facilitate her trade and investments with the outside world through an international tax treaty network with other countries. The increased pace of industrialisation, coupled with increased foreign direct investment in the country, necessitated tax treaty arrangements with other countries to provide investors with certainty and guarantees in the area of taxation. As at 31 January 2019, Malaysia's effective DTAs are with the following countries:

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

** Limited Agreement*

In the case of Taiwan [represented by the Taipei Economic and Cultural Office in Malaysia (TECO)] double taxation relief is given by way of the following Income Tax Exemption Order:

- P.U.(A) 201 (1998)
- P.U.(A) 202 (1998)

For detailed information on taxation in Malaysia, please visit www.hasil.gov.my or email lhdn_int@hasil.gov.my

CHAPTER III: ENTERING AND WORKING IN MALAYSIA

Malaysia welcomes business visitors and expatriate workers to her shores, as they contribute meaningfully to the country's economy and enriches her multicultural make-up. A variety of visas and travel passes for both short-term stay and long-term employment can be applied for, depending on specific needs and circumstances. The expatriate community in Malaysia is a vibrant one, adding to the nation's diverse, inclusive society.

1. ENTRY REQUIREMENTS INTO MALAYSIA

1.1 Passport or Travel Document

All persons entering Malaysia must possess valid national passports or other internationally recognised travel documents valid for travelling to Malaysia. These documents must be valid for at least six (6) months from the date of entry into Malaysia.

Those with passports not recognised by Malaysia must apply for a document in lieu of the passport, as well as a visa issued by the Malaysian Representative Office abroad. Applications for visas can be made at the nearest Malaysian Representative Office in the respective countries.

In countries where a Malaysian Representative Office has not been established, applications can be made at the nearest High Commission or Embassy.

1.2 Visa Requirement

A visa is an endorsement in a foreigner's passport or other recognised travel document indicating that the holder has applied for permission to enter Malaysia, and that permission has been granted.

Foreign nationals who require a visa to enter Malaysia must apply and obtain a visa in advance at any Malaysian Representative Office abroad before entering the country.

Nationals of the following countries are required to obtain visas to enter Malaysia:

Afghanistan *	India
Angola	Ivory Coast
Bangladesh	Kosovo
Bhutan	Liberia
Burkina Faso	Mali
Burundi	Mozambique
Cameroon	Myanmar
Central African Republic	Nepal
People's Republic of China	Nigeria
Colombia	Niger
Congo Democratic Republic	Pakistan
Congo Republic	Rwanda

Cote D'Ivoire	Serbia
Djibouti	Montenegro
Equatorial Guinea	Sri Lanka
Eritrea	United Nations (Laissez Passer)
Ethiopia	Western Sahara
Ghana	Certificate of Identity
Guinea-Bissau	Titre De Voyage
Hong Kong SAR (Certificate of Identity or Document of Identity)	

For nationals of Israel and North Korea, prior permission must be obtained from Malaysia's Ministry of Home Affairs.

Nationals from other countries other than those stated above (except Israel and North Korea), are allowed to enter Malaysia without visa for social or business visits only.

Note:
* Visa with reference i.e. with the approval of Malaysia's Immigration Department is required.

1.3 Pass Requirements

Other than application for entry for the purpose of social or business visits, application for passes must be made before the arrival in the country.

A pass is an endorsement in the passport constituting permission to stay for an approved duration. Foreigners who visit Malaysia must obtain the pass at the point of entry, which allows them to stay temporarily in Malaysia.

All such applications must have sponsorship in Malaysia, whereby the sponsors agree to be responsible for the maintenance and repatriation of the visitors from Malaysia if necessary. Passes given to foreign visitors upon arrival are as follows:

1.3.1 Visit Pass (Social) Short Term

A Visit Pass is issued to foreigners for the purpose of a social or/and business visit, such as:

- Owners and company representatives entering Malaysia to attend a company meeting, conference, or seminar, to inspect the company's accounts, or to ensure the smooth running of the company.
- Investors or businessmen entering to explore business and investment opportunities, or setting up manufacturing plants.
- Foreign representatives of companies entering to introduce goods for manufacture in Malaysia, but not to engage in direct selling or distribution.
- Property owners entering to negotiate, sell, or lease properties.
- Foreign journalists or reporters from mass media agencies entering to cover any event in Malaysia (prior approval from Malaysia Ministry of Home Affairs is required).
- Participants in sporting events.

- Students sitting for examinations in a local university or on goodwill missions.
- Visitors entering on other activities than above as approved by the Director General of Immigration.

These passes cannot be used for employment, or for supervising the installation of new machinery or the construction of a factory.

1.3.2 Visit Pass (Social) Long Term

A long-term social visit pass may be issued to a foreigner for temporary stay in Malaysia under specific categories; e.g. spouses or children of Malaysians. Extensions will be given based on visitors' eligibility and upon fulfilling certain conditions.

Foreign spouses to Malaysians holding a long-term social visit pass are allowed to be engaged on any form of paid employment, or in any business or professional occupation, without converting their Social Visit Pass status to an Employment Pass or Visit Pass (Temporary Employment), but subject to permission from the Immigration Department of Malaysia. Permission to work will be endorsed upon approval.

1.3.3 Visit Pass (Temporary Employment)

This is issued to foreigners who enter the country to take up employment for fewer than 24 months.

1.3.4 Employment Pass

This is issued to foreigners who enter the country to take up employment for a minimum period of two (2) years. The employment pass is issued after the applicant has obtained the approval for an expatriate post from the relevant authorised agencies.

1.3.5 Professional Visit Pass (PVP)

This is issued to foreigners for the purpose of engaging on short-term contract with any agency.

The Professional Visit Pass (PVP) is given to expatriates who wish to work and carry out special (Professional) work for a short time in Malaysia, with their salaries paid by overseas employers. This pass is also given to students or overseas workers who wish to undergo practical training in Malaysia.

The pass approval period may not exceed 12 months.

The categories of foreigners who are eligible are:

Professionals	• Expertise transfer • Research • Training
Artistes	• Those entering for filming or performance; or • those entering for promotion of albums or new products.

Missionaries (Islam or other religions)	• Those entering for religious purposes

The validity of the pass varies, but it does not exceed 12 months at any one time.

For further information, please visit https://esd.imi.gov.my.

1.3.6 Dependant Pass

This facility is accorded to families of expatriate officials. The Dependant Pass is issued to legal spouses and children (biological, stepchild, legally adopted) below 18 years old of the Employment Pass holders.

The Social Visit Pass (Long Term) is issued to children (biological, stepchild, legally adopted) above 18 years old, parents, parents-in-law, and common-law spouse of the Employment Pass holders.

This pass may be applied together with the application for an Employment Pass or after the Employment Pass is issued.

The Visit Pass (Temporary Employment) is provided for foreign maid Employment Pass holders.

1.3.7 Student's Pass

A Student's Pass is issued to a foreigner who wishes to study in Malaysia in any educational institution whose courses have been approved by Malaysia's Ministry of Higher Education/ Ministry of Education, and the intake of the foreign student has the approval from Malaysia's Ministry of Home Affairs.

For further information, please visit https://educationmalaysia.gov.my.

2. EMPLOYMENT OF EXPATRIATE PERSONNEL

The Malaysian Government aspires for all Malaysians to be eventually trained and employed at all levels of employment. Thus, companies are encouraged to train more Malaysians so that the employment pattern at all levels of the organisation reflects the multi-racial composition of the country.

Notwithstanding this, where there is a shortage of trained Malaysians, companies are allowed to bring in expatriate personnel via the 'key posts' or 'term posts'. Key posts are posts that are permanently filled by foreigners, while term posts are positions filled within a specified period.

2.1 Types of Expatriate Posts

Expatriates are foreigners who are qualified to fulfil the following positions:

2.1.1 Key Posts

These are high-level managerial posts in foreign-owned private companies and firms operating in Malaysia. Key posts are critical posts for companies to safeguard their interests and investments. The expatriates are responsible for determining the company's policies in achieving its goal and objectives.

2.1.2 Term Posts

a. Executive Posts

These are intermediate-level managerial and professional posts. The posts require professional qualifications, practical experience, skills, and expertise related to the respective jobs. The expatriates are responsible in implementing the company's policies and supervision of staff.

b. Non-Executive Posts

These are posts for the performance of technical jobs that require specific technical or practical skills and experience.

2.2 Guidelines on the Employment of Expatriate Personnel

There are two stages in the employment of expatriates:

- Application for an expatriate post from relevant authorised bodies determined by the nature of the business.
- Upon approval of the expatriate posts by the respective approving bodies, the company must submit an application to the Immigration Department for endorsement of the employment pass.

a. Companies undertaking Manufacturing Activities, R&D Activities, and Medical Devices Testing Laboratories; and applying Tax Incentives under MIDA's Purview.

Companies that are undertaking manufacturing activities or R&D activities, and Medical Devices Testing Laboratories, and are applying for the tax incentives under MIDA's purview, are eligible to be considered for expatriate posts with minimum paid-up capital requirements as follows:

- 100 per cent Malaysian-owned company: RM250,000
- Jointly-owned by foreigners and Malaysians: RM350,000
- 100 per cent foreign-owned company: RM500,000

The approval of key posts will be subjected to the condition that the company must be incorporated in Malaysia, and must deposit its foreign paid-up capital of at least RM1,000,000. However; the number of key posts cannot be linked directly with the foreign paid-up capital.

The approval for the term posts is subject to the following conditions:

- Minimum basic salary of at least RM5,000; and
- Minimum academic qualification and minimum experience.

Academic Qualification Requirements: -

Manufacturing company: -

- Degree with at least three (3) years' experience in the relevant field; and/or
- Diploma with at least five (5) years' experience in the relevant field; and/or
- Technical Certification with at least ten (10) years' experience in the relevant field; or academic qualifications/experience proposed by companies, whichever is higher.

Contract R&D Company, R&D Company and in-house R&D company: -

- Degree with at least three (3) years' experience in the relevant field; and/or
- Diploma with at least five (5) years' experience in the relevant field; or academic qualifications/ experience proposed by companies, whichever is higher.

The number of expatriate posts will be considered based on the merits of each case. However, a wholly- and majority-foreign-owned contract R&D Company, R&D Company, and in-house R&D Company, will be subjected to the maximum number of expatriate posts of 50 per cent of total R&D personnel, i.e. in the ratio of one expatriate to one Malaysian R&D personnel. The duration of term post can be considered for a maximum of five (5) years.

Applications should be submitted to MIDA.

b. Operational Headquarters (OHQs), Regional Development Corporations (RDCs), International Procurement Centres (IPCs), and Principal Hubs

The applications for expatriate posts for OHQs, RDCs, IPCs, and Principal Hubs can be considered based on the criteria as follows:

- OHQs, RDCs, IPCs can be considered with a minimum paid-up capital of RM500,000;
- Principal Hubs can be considered with a minimum paid-up capital of RM2.5 million.

The number of expatriate posts will be considered based on the company's requirements, and the duration of term posts is for a maximum of five (5) years.

The approval of expatriate posts for OHQs, RDCs, IPCs, and Principal Hubs is subject to the following conditions:

- Minimum basic salary of at least RM5,000 for expatriate posts.
- Degree with at least five (5) years' experience in the relevant field; or academic qualifications/ experience proposed by companies, whichever is higher.
- For Malaysian-owned OHQs, RDCs, IPCs, companies can be considered for key posts subject to a minimum paid-up capital of at least RM500,000.

Applications should be submitted to MIDA.

*The Principal Hub 3.0 incentive expires on 31 December 2022, and applications should be submitted to (and received by) MIDA on or before this date.

c. Regional Establishments (REs)/Regional Office (ROs)

The applications for expatriate posts (term posts) for REs/ROs can be considered based on the following criteria:

- Minimum operating expenditure of at least RM300,000 per annum.
- Minimum basic salary of at least RM5,000 for expatriate posts.

Nevertheless, upon approval, the operating expenditure and basic salary will be imposed as proposed by the RE/RO.

The number of term posts will be considered based on the merits of each case. The duration for the term post approval will be in line with the duration of the RE/RO status approval given by MIDA.

Application for expatriate posts of the RE/RO should be submitted to MIDA.

d. Technical & Vocational Training Institutions & Other Services

All applications for expatriate posts relating to education should be submitted to the Ministry of Education or Ministry of Human Resource for approval prior to the final approval on the work permit by the Immigration Department.

e. Other services without tax incentives and unregulated services

Applications for expatriate posts for other services and unregulated services' sub-sectors than previously mentioned should be directly submitted to the Immigration Department. MIDA provides facilitation for companies applying to Immigration for expatriate positions.

3. APPLYING FOR EXPATRIATE POSTS

All applications for expatriate posts from new and existing companies (including those not involving expansion or diversification) in the manufacturing and related service sectors, and promoted services activities, should be submitted to MIDA.

Effective 1 January 2021, employers who intend to employ expatriates are required to advertise job vacancies for a minimum of 30 days on the MYFutureJobs portal under the purview of the Ministry of Human Resources before applying for expatriate posts to MIDA.

For further information on immigration procedures, please visit www.imi.gov.my.

3.1 MyFutureJobs

To ensure Malaysians are given priority in hiring by both private and public sectors, the Ministry of Human Resources (MOHR) has announced new initiatives based on a Cabinet decision on 4 June 2020, where they are required to advertise each vacancy in MyFutureJobs for a minimum of 30 days.

In view of the importance of foreign investment into the country, exemptions from advertising job vacancies are allowed for the following categories:

a. Important positions

For (C-Suite & Key Posts) or expatriate(s) with monthly income of RM15,000 and above.

b. (RE/RO)

The RE/RO of overseas organisations/companies in the manufacturing and services sectors that are established in Malaysia to carry out activities for the company/organisation headquarters. The RE/RO are not involved in any commercial activities. For operational RE/RO, the company is not required to be registered under the Companies Act 1965. The approval/confirmation letter from MIDA is required for applications to employ expatriates under this category.

c. Investors/Shareholders/Owners

Investors are individuals who invest funds in Malaysia to achieve returns on investments and are directly involved in the company's operations.

Shareholders, meanwhile, must hold at least 30 per cent equity shares and appointed as the company's Directors and/or hold positions of interest in the company.

d. Corporate Transfers/ Placements / Trade Agreements

Expatriates are assigned by the parent company to work in a branch company in Malaysia or group of companies for the purpose of training or knowledge/experience sharing between companies, and to meet the needs of the company's workforce.

e. International Organisations

Organisations subject to the International Organization Act (Privileges and Immunities) (Act 485) may appoint Foreign Recruited Staff (FRS) from foreign nationals.

Vacancies for specialised skilled positions are not automatically excluded from being advertised on MYFutureJobs. Specialised skilled positions include specific and unique skills as well as strategic competencies to carry out tasks stipulated by the company. The company may apply for consideration from the Social Security Organisation (SOCSO) to be exempted from advertising on the MYFutureJobs portal.

The company must complete the PDKK Form (specialised skilled Expatriates) via http://bit.ly/PDKKPERKESO and provide detailed justification in the PDKK Form why such positions require specialised skilled exemptions.

The company will be exempted from advertising on MYFutureJobs if the position is considered for exemption by SOCSO. If the position is found not to be a specialised skilled position, the company must advertise the vacancy for the position on MYFutureJobs for a minimum period of 30 days and conduct the interview process to source for local talents. For specialised skilled positions, the notification of the exemption status will be sent to the company via email.

For any inquiries regards to MYFutureJobs, please contact SOCSO's Customer Services Centre at 1-300-22-8000/03-8091 5300 or email papd@perkeso.gov.my

4. EMPLOYMENT OF FOREIGN WORKERS

In Malaysia, limited foreign workers can be employed in the following sectors: manufacturing, construction, plantation, agriculture, mining and quarry, services, and domestic helper.

For the services sector, employment of foreign workers is only limited to six sub sectors: (restaurant, cleaning services, cargo handling, caddy in golf club (male only), wholesale/retail, and hotel/resort island).

Approval is based on the merits of each case and is subject to conditions that will be determined from time to time. Applications to employ foreign workers will only be considered when efforts to find qualified local citizens and permanent residents have failed.

An annual levy on foreign workers is imposed as follows:

Approved Sectors	Annual Levy (Peninsular) RM	Annual Levy (Sabah/Sarawak) RM
Manufacturing	1,850	1,010
Construction	1,850	1,010
Plantation	640	590
Agricultural	640	410
Mining and quarry	1,850	1,490
Services	1,850	1,490
Services (Island resorts)	1,850	1,010
Domestic helper	410	410

All applications for foreign workers should be submitted to the One Stop Centre, Ministry of Human Resources, except for applications for foreign domestic helpers which should be submitted to Malaysia's Immigration Department.

For further information on employment of foreign workers, please visit the Ministry of Human Resources website at www.moha.gov.my.

Note: The information contained above is intended only as a general guide to assist the business community in locating and navigating publicly available information. However, in view of the COVID-19 situation and policy responses, the above information may be overtaken by events. Kindly seek confirmation and also refer to https://www.imi.gov.my/ for further clarification.

CHAPTER IV: RECRUITING YOUR TALENT POOL IN MALAYSIA

Malaysia offers prospective investors a diligent, disciplined, educated, and trainable labour force. Malaysian youths who enter the labour market would have undergone at least 11 years of school education, i.e. up to secondary school level, and are therefore easy to be trained in new skills. In addition, 27 per cent of the labour force has tertiary education.

To cater to the manufacturing sector's expanding demand for technically-trained workers, the Malaysian Government has taken measures to increase the number of engineers, technicians, and other skilled personnel. Emphasis is given to Technical and Vocational Education and Training (TVET), with industries being given platforms to collaborate with TVET providers to ensure the supply of graduates meets industry requirements.

In addition, Malaysia enjoys a free and competitive labour market, where the employer-employee relationship is cordial and harmonious. The Government continually reviews labour-related legislation to meet labour market requirements. Upskilling and reskilling programmes are available to ensure stable employer-employee relations.

Labour costs in Malaysia are relatively low, while productivity levels remain high in comparison with industrialised countries. Many programmes and facilitative initiatives are available for productivity improvements, including productivity-linked wage systems, automation, and skills training.

1. MANPOWER DEVELOPMENT

The Department of Skills Development (DSD), under the Ministry of Human Resources, is responsible for promoting and coordinating strategies and skills training programmes in line with the Government's efforts to reinforce skills. The DSD focuses on the accreditation of public and private training institutions, evaluation of the demand for existing and prospective skills, identification of future vocational and industrial training needs, and the development of the National Occupational Skills Standards (NOSS).

To-date, there are 1,458 NOSSs which cover certificate-, diploma-, and advanced diploma-level programmes in 29 industrial sectors, and provide the main foundation for the implementation of over 7,000 skills training programmes across about 1,131 DSD-accredited training institutions under the Malaysian Skills Certification System.

1.1 Facilities for Training in Industrial Skills

In Malaysia, vocational and technical schools, polytechnics, and industrial training institutions prepare youths for employment in various industrial trades. While they are mostly run by government agencies, several private initiatives complement the Government's efforts in producing the skilled workers needed by industry.

The main government agencies involved in training are:

- **The Manpower Department, under the Ministry of Human Resources runs** 23 industrial training institutes (ITIs). The ITIs offer industrial skills training programmes at basic, intermediate, and advanced levels for pre-employment or entry-level jobs. These include apprenticeship programmes in the mechanical, electrical, building, and printing trades, as well as programmes to upgrade skills and train instructors. The Ministry also operates the Centre for Instructors and Advanced Skills Training (CIAST), the Japan-Malaysia Technical Institute (JMTI) and eight advanced technology training centres (ADTECs).

- **The Ministry of Education** runs more than 85 technical colleges offering technical and vocational courses. School leavers from technical institutes can either seek employment at the entry level or pursue their post-secondary education at the diploma level in Polytechnics, or the certificate level in community colleges or other training institutions under the supervision of other ministries.
- **Ministry of Youth and Sports**, which provides basic, intermediate, and advanced levels of industrial skills training through its 16 National Youth Skills Training Centres and Higher National Youth Skills Training Centres. Short-term courses and skills upgrading programmes are also being conducted.
- **Majlis Amanah Rakyat (MARA)**, or the Council of Trust for the Indigenous People under the purview of the Ministry of Rural and Regional Development, operates more than 230 skills training institutes in different parts of the country which offer programmes at basic, intermediate, advanced, and professional levels.

Tailoring Talents to Industry Needs

1.2 Human Resources Development Corporation (HRD Corp)

The Human Resource Development Corporation (HRD Corp), an agency under the purview of the Ministry of Human Resources, is governed by the Pembangunan Sumber Manusia Berhad Act 2001, and is responsible for driving Malaysia's talent development aspirations through the collection of levies from employers and the funding of training and development programmes for the Malaysian workforce.

In recent years, HRD Corp has evolved its mission to also include driving employment and industrial training placements, career coaching and counselling, and developing income-generating opportunities for Malaysians from a diverse range of skillsets, backgrounds, and capabilities.

Pembangunan Sumber Manusia Berhad Act 2001

The Pembangunan Sumber Manusia Act 2001 (Act 612) is the Act that governs the role, responsibility, function, and authority of HRD Corp. The Act maps out the provisions for the imposition and collection of the human resources development levy for the purposes of funding the training and development of employees, apprentices, and trainees; the establishment and the administration of the Fund by the Corporation; and all other related matters.

Every employer covered under the First Schedule of the Act is required to pay the human resources development levy for its employees at the rate of 1 per cent of their monthly wages.

- **Eligibility Criteria for Employer Registration**

Mandatory Category (1 per cent Levy)	Employers with ten (10) Malaysian Employees and above
Voluntary Category (0.5 per cent Levy)	Employers with five (5) to nine (9) Malaysian Employees

As of 1 March 2021, the Act was expanded to cover more sectors and subsectors. The full list of sectors can be found at www.hrdcorp.gov.my.

2. LABOUR COSTS

Salary and fringe benefits for employees vary according to industry, location, and employment size. The common types of leave provided by companies include annual leave, public holidays, sick leave, hospitalisation leave, maternity leave, and compassionate leave. In some companies, additional benefits include the provision of uniforms, transport, incentive payments, shift allowances, and insurance coverage. Bonus payments are given by some companies based on the companies' performance and individual performance.

Salaries and fringe benefits offered to management and executive personnel also vary according to industry and company employment policy. Most companies provide free medical treatment and hospitalisation, personal accident and life insurance coverage, mileage reimbursement, annual bonus, retirement benefits, and enhanced EPF contributions. The Minimum Wages Order 2020 [P.U. (A) 5/2020] took effect on 1 February 2020. With this amendment, all employers in the private sector, irrespective of the number of employees under their employment, will have to comply with new minimum wage rates.

The minimum wage rates effective from 1 February 2020 are as follows:-

<table>
<tr><th colspan="4">Minimum Wage Rates</th></tr>
<tr><th>Monthly</th><th colspan="3">Daily</th></tr>
<tr><td rowspan="4">RM1,200</td><th colspan="2">Number of days worked</th><th>Hourly</th></tr>
<tr><td>6</td><td>RM 46.15</td><td rowspan="3">RM5.77</td></tr>
<tr><td>5</td><td>RM 55.38</td></tr>
<tr><td>4</td><td>RM 69.23</td></tr>
</table>

For more information on salaries and fringe benefits in the services sector, please visit Malaysia Employers Federation (MEF) at www.mef.org.my.

3. FACILITIES FOR RECRUITMENT

Besides registered private employment agencies, employers and job seekers can register for free through the MYFutureJobs portal (https://www.myfuturejobs.gov.my/) in order to seek suitable candidates and available vacancies throughout Malaysia.

4. LABOUR STANDARDS

The Department of Labour is responsible for the administration of labour laws in order to maintain industrial harmony. The labour laws stipulate the minimum requirements that must be followed by the employers to protect employee rights and benefits. Some flexibility in the operation of businesses is facilitated by applying for exemptions to the Director of Labour, Department of Labour.

4.1 Employment Act 1955

As the main legislation of the labour law framework, the Employment Act 1955 applies to all employees in Peninsular Malaysia and the Federal Territory of Labuan whose monthly wages do not exceed RM2,000, as well as all manual labourers irrespective of their wages. Employers may draw up the employment contracts, so long as these contracts do not contravene or provide less than the minimum benefits stipulated under the law. Employees have the right to make monetary claims through the Labour Court if there is argument between employers and employees regarding their benefits such as wages, overtime claims, termination benefits, maternity benefits etc. Besides that, employees who earn between RM2,001 and RM5,000 a month can also seek redress at the Labour Court regarding the terms and conditions in their employment contracts.

Some of the obligations of an employer under the Employment Act 1955 are as follows:

- Every employee must be given a written contract containing the terms and conditions of the employment, including provisions relating to the termination of contract.
- Maintaining a labour register pertaining to the personal particulars of employees, payment of wages, and deduction of wages.
- Special provisions for the protection of female employees pertaining to night work and maternity benefits.
- Normal hours of work and other provisions relating to numbers of working hours.
- Entitlement of paid annual leave, sick leave, hospitalisation leave, and public holidays, as well as the rate of payment for overtime.
- Responsibility of the employer regarding the employment of foreign employees.
- Special provision with respect to sexual harassment at workplace.

4.2 The Labour Ordinance, Sabah and the Labour Ordinance, Sarawak

The Labour Ordinance (Sabah Cap. 67) and the Labour Ordinance (Sarawak Cap. 76) regulate the administration of Labour Laws in these respective states. The provisions of the Labour Ordinance, Sabah and the Labour Ordinance, Sarawak are similar to the provisions of the Employment Act 1955. However, there are some provisions which are different and pertinent to note. These provisions are:

a. Coverage

The Employment Act 1955 covers employees whose wage does not exceed RM2,000 per month, whereas the Labour Ordinance Sarawak covers up to RM2,500 per month. As far as the Labour Ordinance of Sabah is concerned, employees covered are persons who have entered into contract of service with an employer and receive wages not more than RM2,500 a month, and persons (regardless of wages received) engaged in manual labour; or in the operation and maintenance of any mechanically-propelled vehicle for the purpose of transport or commercial purposes; or engaged as supervisors of manual-labour employees; or engaged on any vessel registered in Malaysia with certain exceptions; or domestic servants.

b. Special Provisions Relating to the Employment of Children and Young Persons

The Ordinances prescribe the conditions under which a "child" and "young person" may be employed. A "child" is a person under the age of 15 years and a "young person" is a person who has attained 15 years of age but is below 18 years old. The Ordinances apply the same provisions as the Children and Young Person (Employment) Act 1966 that is used in Peninsular Malaysia.

c. Employment of Non-Resident Employees

It is mandatory for any employer wishing to employ any "non-resident employee" must first obtain a licence to employ a "non-resident employee" from the Director of Labour Sabah/ Sarawak. A "non-resident employee" is defined as any person who does not belong to Sabah/ Sarawak as provided for under Section 71 of the Immigration Act 1959/1963.

4.3 Employees Provident Fund Act 1991

The statutory contributions under the Employees Provident Fund (EPF) Act 1991 effective 1 January 2021 is:

Age Group 60 Years and Below

Employer's share - (a) **Monthly Wages RM5,000 (US$1,171) and below**

Statutory rate of 13 per cent of the employees' monthly wages.

(b) **Monthly Wages Exceeding RM5,000 (US$1,171)**

Statutory rate of 12 per cent of the employees' monthly wages.

Employee's share - Statutory rate of 9 per cent of the employees' monthly wages.
[Refer to Third Schedule (Part A) of the EPF Act 1991]

Age Group 60 – 75 Years

(i) Malaysian citizens

- Employer's share - Statutory rate of 4 per cent of the employers' monthly wages.
- Employee's share - Statutory rate of 0 per cent of the employees' monthly wages.

[Refer To Third Schedule (Part E) of the EPF Act 1991]

(ii) Permanent residents

Employer's share - (a) **Monthly Wages RM5,000 (US$1,171) and below**

Statutory rate of 6.5 per cent of the employees' monthly wages.

(b) **Monthly Wages Exceed RM5,000 (US$1,171)**

Statutory rate of 6 per cent of the employees' monthly wages.

Employee's share - Statutory rate of 5.5 per cent of the employees' monthly wages.

[Refer To Third Schedule (Part C) of the EPF Act 1991]

All foreign workers and expatriates and their employers are exempted from statutory contributions. They can, however, choose to contribute and the applicable rates are as follows:

Age Group 60 Years and Below

Employer's share - RM5.00 (US$1.17) per employee per month.

Employee's share - 9 per cent of the employees' monthly wages.

[Refer to Third Schedule (Part B) of the EPF Act 1991]

Age Group 60 -75 years

Employer's share - RM5.00 (US$1.17) per employee per month.

Employee's share - 5.5 per cent of the employees' monthly wages.

[Refer to Third Schedule (Part D) of the EPF Act 1991]

4.4 Employees' Social Security Act 1969

The Social Security Organisation (SOCSO) provides two social security schemes to protect the welfare of employees and their dependents under the Employees' Social Security Act 1969 (Act 4). The two (2) social security schemes are:

a. Employment Injury Scheme

The Employment Injury Scheme provides protection to employees who suffer from work-related accidents or occupational diseases arising out of and in the course of employment in an industry. The benefits provided under the Employment Injury Insurance Scheme consists of the Medical Benefit, Temporary Disablement Benefit, Permanent Disablement Benefit, Constant-attendance Allowance, Dependants' Benefit, Funeral Benefit, Rehabilitation Benefit, and Education Benefit.

b. Invalidity Scheme

The Invalidity Scheme provides 24-hour coverage to employees against invalidity or death due to any cause not connected with their employment. However, the employees must fulfil the condition to be eligible for the invalidity pension. Benefits provided under the Invalidity Scheme are the Invalidity Pension, Invalidity Grant, Constant-attendance Allowance, Survivors' Pension, Funeral Benefit, Rehabilitation Benefit, and Education Benefit.

Contributions

Contributions to SOCSO are compulsory under the Act for eligible employers and employees. These schemes are classified into two (2) categories of contribution:

- **First Category**

  The Employment Injury Insurance Scheme and Invalidity Pension Scheme. Contribution payments are made by both employer and employee. The rate of contribution under this category comprises 1.75 per cent as the employer's share and 0.5 per cent of the employees' monthly wages according to the contribution schedule.

- **Second Category**

  The rate of contribution under this category is 1.25 per cent of employees' monthly wages, payable by the employer, based on the contribution schedule. All employees who have reached the age of 60 must be covered under this category for the Employment Injury Scheme only.

Employer Eligibility

Any employer who hires one or more employees as defined under the Act is required to register and make contributions to SOCSO.

Employee Eligibility

All employees who are employed under a contract of service or apprenticeship in the private sector, and contractual/temporary staff of the Federal/State Government as well as Federal/State Statutory Bodies, need to be registered and covered by SOCSO. The rate of contribution is capped at a monthly wage ceiling of RM4,000.

Employees exempted from the coverage of the Employees' Social Security Act, 1969 are as follows:

- Federal and State Government permanent civil servants;
- Domestic servants;
- Self-employed; and
- Sole proprietor or partner in a partnership.

Self-Employment Social Security Act 2017 (Act 789)

The Self-Employment Social Security Act 2017 (Act 789) came into force on 1 June 2017. In the beginning, this scheme provides protection under the Self-Employment Social Security Scheme to self-employed taxi drivers and individuals providing similar services including e-hailing drivers such as GrabCar, as well as self-employed bus drivers such as stage busses and charter busses. This scheme was later extended to 19 more informal sectors starting 1st January 2020. The scheme provides protection to insured self-employed persons and their dependants from employment injuries, including occupational diseases and accidents during work-related activities. It provides cash benefits to taxi drivers and their dependants besides providing medical care, physical rehabilitation, and vocational training. The duration of protection is 12 months from the date and time the contribution is paid. The contribution rate stipulated is 1.25 per cent per month of the insured salary option.

Employment Insurance System Act 2017 (Act 800)

The Employment Insurance System (EIS) was implemented in January 2018 to provide immediate financial assistance to insured workers who lost their employment. The affected workers will also be assisted to find new jobs, and if necessary, they are given training to improve their employability.

EIS Objectives

- Provide immediate financial assistance to contributing employees who have lost their jobs.
- Help unemployed workers find new employment through the Re-Employment Placement Program.
- Increase the employability of unemployed workers through vocational training.

EIS Coverage

- All employers in the private sector are required to pay monthly contributions for each of their employees.
- An employee is defined as a person who is employed for wages under a contract of service or apprenticeship with an employer. The contract of service or apprenticeship may be expressed or implied, and may be oral or in writing.
- All employees aged 18 to 60 are required to contribute. However, employees aged 57 and above who have no prior contributions before the age of 57 are exempted.
- Contribution rates are capped at the insured salary of RM4000.

EIS Contribution Rate

Employer: 0.2 per cent

Employee: 0.2 per cent

EIS Benefits

- Job Search Allowance (JSA)
- Reduced Income Allowance (RIA)
- Training Fee (TF)
- Training Allowance (TA)
- Early Re-Employment Allowance (ERA)
- Re-Employment Placement Program
- Career Counselling

Extension of Social Security Coverage

- **Spouse**

As of 1 July 2018, SOCSO has expanded social security protection to a spouse working with his or her spouse in an enterprise under Act 4 and Act 800. With the extension of the social security protection, qualified wives or husbands who are employed by their respective spouses to work for their spouses under Act 4 and Act 800 will be covered by social security under both Acts.

- **Foreign Workers**

SOCSO has also extended its coverage for all legal foreign workers (excluding domestic servants) in Malaysia, effective 1 January 2019, under the Employment Injury (EI) Scheme under Act 4. The rate of contribution is 1.25 per cent of the insured monthly wages, to be paid for by the employer. The EI Scheme provides protection to an employee against accident or an occupational disease arising out of and in the course of his employment, as well as commuting accidents.

Return to Work Programme

The Return to Work programme was introduced in 2007 as a proactive approach in helping SOCSO's Insured Persons suffering from employment injury or illness. Injured or sick workers who have successfully undergone this programme are now able to continue financially supporting themselves and their families, as well as become part of the nation's productive workforce again, thus contributing to the country's economic growth.

The Tun Razak Rehabilitation Centre supports the programme by providing comprehensive facilities to referred participants until the Insured Persons are able to get back actively into the working world, contributing to the socioeconomic development of families, communities, and the country.

Health Screening Programme (HSP)

SOCSO introduced the Health Screening Programme (HSP) in 2013, where it distributes health screening vouchers to insured workers once they turn 40. The HSP programme is part of an effort to promote healthy lifestyle practices, and subsequently address the non-communicable diseases among workers.

4.5 Workmen's Compensation Act 1952

The Act obliges employers to insure workers and provide compensation for injuries sustained by workers in accidents arising out of and in the course of the employment. There are three types of protection under this Act, i.e. for permanent total disablement, permanent partial disablement, and death.

4.6 Occupational Safety and Health Act 1994

The Department of Occupational Safety and Health (DOSH) under the Ministry of Human Resources is responsible for administrating and enforcing legislation related to occupational safety and health. DOSH ensures that the safety, health, and welfare of people at work, as well as others, are protected from hazards resulting from occupational activities in the various sectors such as:

- manufacturing;
- mining and quarrying;
- construction;
- agriculture, forestry and fishing;
- utilities (gas, electricity, water and sanitary services);
- transport, storage and communication;
- wholesale and retail trades;
- hotels and restaurants;
- finance, insurance, real estate and business services; and
- public services and statutory authorities.

This enforcement activity is governed by three legislations; namely:

- Occupational Safety and Health Act (OSHA) 1994;
- Factories and Machinery Act 1967; and
- Petroleum Act (Safety Measure) 1984.

OSHA 1994 provides the legislative framework to promote, stimulate, and encourage high standards of health and a safe working culture amongst all Malaysian employers and employees, through a self-regulation approach designed to suit the particular industry or organisation.

OSHA 1994 defines the responsibilities of employers, employees, self-employed persons, designers, manufacturers, importers, and suppliers of plants or substances. Under OSHA 1994, employers must safeguard, so far as is practicable, the health, safety, and welfare of the people who work for them. This applies in particular to the provision and maintenance of a safe plant and system of work.

Arrangements must be made to ensure safety and health in the use, handling, storage, and transport of plants and substances. 'Plants' include any machinery, equipment, appliance, tool, and component, whilst 'substances' include any natural or artificial substance whether in solid, liquid, gas, vapour, or combination thereof, form.

Risks to health from the use, storage, or transportation of substances must be minimised. Employers must provide necessary information, instruction, training, and supervision in safe practices, including information on the legal requirements with particular reference to processes with special hazards.

Employers employing 40 or more persons must establish a safety and health committee at the workplace. The main function of the committee is to ensure that safety and health measures are regularly reviewed; additionally, investigation of matters related to safety and health are carried out by the committee.

Employers must notify the nearest DOSH office of any accident, dangerous occurrence, occupational poisoning, and/or disease which has occurred or is likely to occur at the workplace.

Processes that use hazardous chemicals require competent persons to conduct the air quality, personal monitoring, and safety inspections, while health officers and occupational health doctors are required to ensure conduct proper medical surveillance of the related workers.

There are eight regulations under OSHA 1994 enforced by DOSH which are:

1) Employers' Safety and Health General Policy Statements (Exception) Regulations, 1995.
2) Control of Industrial Major Accident Hazards Regulations, 1996.
3) Safety and Health Committee Regulations, 1996
4) Safety and Health Officer Regulations, 1997.
5) Use and Standards of Exposure of Chemicals Hazardous to Health Regulations, 2000.
6) Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease Regulations, 2004.
7) Classification, Labelling and Safety Data Sheet of Hazardous Chemicals Regulation, 2013.
8) Noise Exposure Regulations, 2019.

Contravention of the requirements in the law may lead to prosecution in court.

The objective of the Factories and Machinery Act (FMA) 1967, on the other hand, is to provide for the control of factories on matters relating to the safety, health, and welfare of persons, as well as the registration and inspection of machinery. All certificated machinery such as boilers, unfired pressure vessels, passenger lifts, and other lifting equipment such as mobile cranes, tower cranes, passenger hoists, overhead travelling cranes, and gondolas, must be approved in terms of design requirements, technical specifications, testing, and inspection. The manufacturer should submit the drawings, technical calculations, manufacturer certificates, and other supporting documents on-line through the Sistem Kawal Urus Dokumen system (www.dosh.gov.my) to acquire design approval from DOSH.

All factories and general machinery must be registered with DOSH before they can be installed and operated in Malaysia.

The operation, installation, maintenance, and dismantling of specific equipment and processes requires the service of competent persons. Thus, during the installation of M&E such as cranes, lifts, and scaffolding, the service of competent persons is compulsory to ensure safe erection. Other competent persons such as boiler men and steam engineers are required to operate high-risk equipment such as steam boilers.

DOSH enforces 15 regulations under FMA 1967:

1) Electric Passenger and Goods Lift Regulations, 1970.
2) Fencing of Machinery and Safety Regulations, 1970.
3) Notification, Certification of Fitness and Inspection Regulations, 1970.
4) Persons-In-charge Regulations, 1970.

5) Safety, Health and Welfare Regulations, 1970.
6) Steam Boilers and Unfired Pressure Vessel Regulations, 1970.
7) Certificates of Competency – Examinations Regulations, 1970.
8) Administration Regulation, 1970.
9) Compoundable Offences Regulations, 1978.
10) Compounding of Offences Rules, 1978.
11) Lead Regulations, 1984.
12) Asbestos Process Regulations, 1986.
13) Building Operations and Works of Engineering Construction (Safety) Regulations, 1986.
14) Mineral Dust Regulations, 1989.
15) Special Scheme of Inspection (Risk-Based Inspection) Regulations, 2014.

The Petroleum (Safety Measures) Act has been enforced since 1984. The objective of this Act is to regulate the safety of the transportation, storage, and utilisation of petroleum. The scope of this Act covers the transportation of petroleum by road and railway, water, pipelines, as well as the storage and handling of petroleum.

With regard to transportation of petroleum, two regulations were enacted under this Act:

1) Transportation of Petroleum by Pipelines Regulations, 1985.

2) Transportation of Petroleum by Water Regulations, 1985.

5. INDUSTRIAL RELATIONS

5.1 Trade Unions

Generally, employers and employees both have the right to form and join their own unions to safeguard their interest, and must satisfy the conditions within any particular establishment, trade, occupation, or industry. Union membership is limited geographically. For instance, employees or employers in Peninsular Malaysia shall only join a union where all members are based in the Peninsular, whereas employees or employers in Sabah or Sarawak shall only be members of unions established in Sabah or Sarawak respectively.

The main objectives of trade unions are as follows:

- Regulation of relations between workmen and employers for the purpose of promoting good industrial relations between workmen and employers, improving working conditions, or enhancing their economic and social status, or increasing productivity;
- Regulation of relations between workmen and workmen or between employers and employers;
- Representation of either workmen or employers in trade disputes;
- Conducting of, or dealing with, trade disputes and matters relating thereto; or
- Promotion or organisation or financing of strikes or lockouts in any trade or industry or the provision of pay or other benefits for its members during a strike or lockout.

Policies and guidelines for the formations, functions, obligations, and activities of trade unions are generally featured in the Trade Unions Act 1959 and Trade Unions Regulations 1959, which come under the purview of the Trade Unions Affairs Department, Ministry of Human Resources. The Department carries out the following functions:

- The Enforce the Trade Unions Act 1959 and Trade Union Regulations 1959.
- Supervise, direct, and control generally all matters relating to trade unions in the country.
- Consider applications for registration of trade unions established by either employees or employers.
- Ensure that registered trade unions function in accordance with the trade unions legislation and their respective rules and constitution.
- Advise officers and members of trade unions on administrative, financial and constitutional aspects of trade unions.
- Advise the Minister of Human Resources on matters relating to trade unions legislation and policies in particular and other labour issues in general.

5.2 Industrial Relations Act 1967

The industrial relations system in Malaysia operates within the legal framework of the Industrial Relations Act 1967 (Act 177). The Act is enforced by the Department of Industrial Relations, Malaysia (DIRM) and it regulates the relations between employers and their workmen' and their trade unions in the country. The Act, among others, outlines the following:

- Provisions outlining the process relating to claims for recognition and scope of representation of trade unions;
- Provisions relating to the facilitation of effective collective bargaining between the trade union and the employer, and subsequent conclusion of a collective agreement;
- Provisions relating to prevention and settlement of trade disputes, including referral to the Minister of Human Resources and Industrial Court for a decision;
- Provisions relating to industrial action such as pickets, strikes, and lockouts;
- Provisions relating to the representations for claims for reinstatement by workmen;
- Provisions relating to the operation of the Industrial Court; and
- Provisions relating to the investigative powers of DIRM officers.

In addition, DIRM also provides advisory services on all issues and questions relating to employment relations via its branch offices located throughout the country.

5.3 Relations in Non-Unionised Establishments

In a non-unionised establishment, the normal practice for settling disputes is for the employee to try to obtain redress from his supervisor, foreman, or employer directly. An employee can also lodge a complaint with the Ministry of Human Resources, which will then conduct an investigation.

CHAPTER V: NAVIGATING MALAYSIA'S BANKING, FINANCING AND FOREIGN EXCHANGE

Malaysia has a holistic and well-developed financial infrastructure, comprising both conventional and Islamic financial institutions, the capital markets, offshore banking, and the foreign exchange markets, amongst others. From multinational corporations to micro-enterprises, investors need look no further to obtain financing for their capital and operational expenditures in Malaysia.

1. THE FINANCIAL SYSTEM IN MALAYSIA

Investors may rest assured that their financing needs can be amply met by Malaysia's mature and integrated financial system, which comprises a diversified range of institutions to serve the increasingly varied and complex needs of the domestic economy. The financial system includes both the conventional financial system as well as the Islamic financial system, both of which operate in parallel.

1.1 The Central Bank

The principal objective of Bank Negara Malaysia (BNM), or known as the Central Bank of Malaysia, is to promote monetary stability and financial stability conducive to the sustainable growth of the Malaysian economy. Its primary functions as set out in the Central Bank of Malaysia Act 2009 are to:

- Formulate and conduct monetary policy in Malaysia;
- Issue currency in Malaysia;
- Regulate and supervise financial institutions which are subject to the laws enforced by BNM;
- Provide oversight over money and foreign exchange markets;
- Exercise oversight over payment systems;
- Promote a sound, progressive and inclusive financial system;
- Hold and manage the foreign reserves of Malaysia;
- Manage the country's foreign exchange administration regime; and
- Act as adviser, to the Government, particularly on macroeconomic policies.

1.2 Financial Institutions

The following table provides an overview of the number of financial institutions under the purview of BNM as at end December 2020:

	Total	Malaysian-Controlled Institutions	Foreign-Controlled Institutions
Commercial Banks	26	8	8
Islamic Banks	16	11	3
International Islamic Banks	1	0	1

Investment Banks	11	11	0
Insurers	36	13	23
Takaful Operators (Islamic Insurers)	15	11	4
Reinsurers	7	2	5
Retakaful Operators (Islamic Reinsurers)	2	0	2
Development Financial Institutions	6	6	0

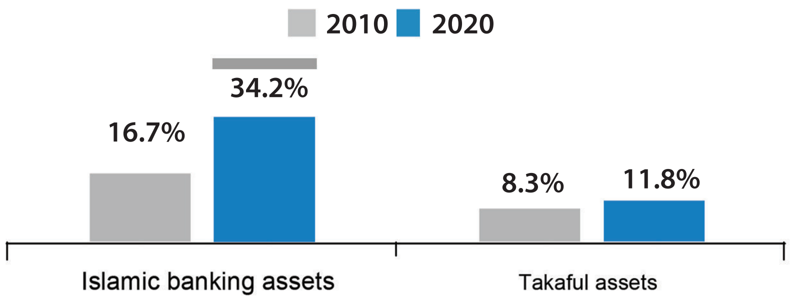
The banking system, comprising commercial banks, investment banks, and Islamic banks, is the primary mobiliser of funds, and the main source of financing that supports economic activities in Malaysia. Banking institutions operate through a network of more than 2,316 branches and 5,085 agent banks across the country. There are also 18 foreign banks in Malaysia. A total of eight Malaysian banking groups have established their presence in 19 countries, through branches, representative offices, subsidiaries, equity participation, and joint ventures worldwide, including in all ASEAN countries.

The non-bank financial institutions; namely development financial institutions, insurance companies and takaful operators, complement the banking institutions in mobilising savings and meeting the financial needs of the economy. The insurance companies and takaful operators, which operate through a network of 932 offices and 192,006 registered agents nationwide, provide solutions for risk management and financial planning for both businesses and individuals.

1.2.1 The Islamic Financial Industry

Islamic finance in Malaysia continues to demonstrate robust growth, supported by comprehensive regulatory, legal, and Shariah governance frameworks; diverse industry players; and professional ancillary service providers, as well as high quality talent.

Market Share per cent of Total Industry:
Islamic Banking Asset and Takaful Asset

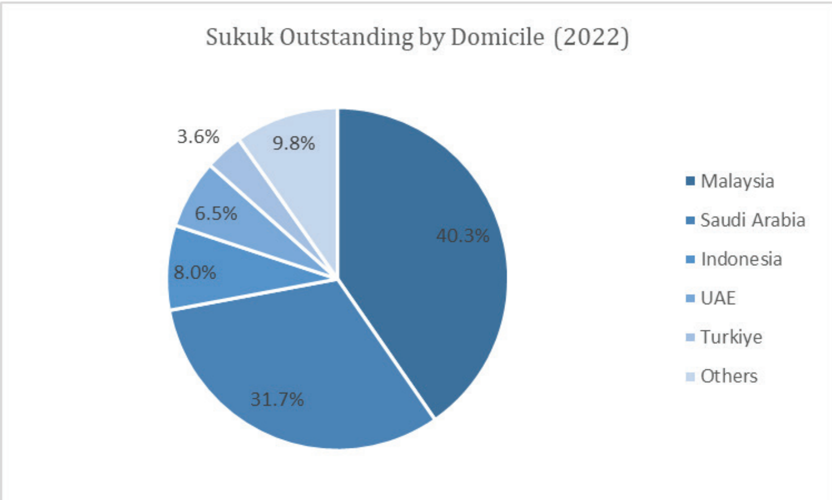


Source: Bank Negara Malaysia

The Islamic banking industry accounts for 34.2% (RM1089.8 billion) of total banking assets as at end-2020, further expanding its role as a major component of the overall financial system in Malaysia since the implementation of the Financial Sector Blueprint 2011-2020. A wide range of competitive and innovative products are offered by over 40 financial institutions (these include Islamic banks, Islamic windows of conventional and investment banks, international Islamic banks, and Development Financial Institutions), all aiming to deliver a positive and sustainable impact on the community, economy and environment.

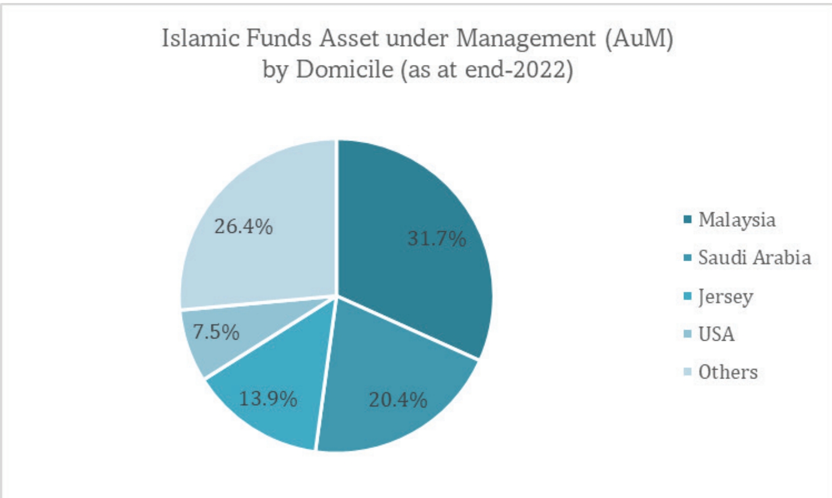
As for the takaful sector, total takaful funds' assets constitute a market share of 13.7% (RM53.7 billion) of the total insurance and takaful sector as at end-2020. The penetration rate for the family takaful market is 16.9%, signifying a growing public acceptance of the benefits provided by takaful schemes.

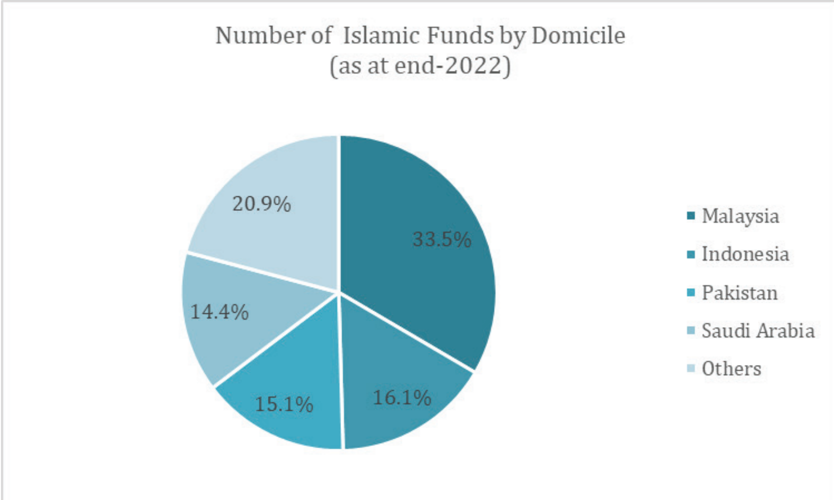
To support the further development of Islamic finance in Malaysia, investment accounts were introduced pursuant to the Islamic Financial Services Act 2013 (IFSA) to provide customers the opportunity to invest and share profit from Shariah-compliant investment activities. Investment accounts also provide additional avenues for businesses to access financing. Presently, seven Islamic banks are offering investment accounts.



Source: MIFC estimates

On the global front, Malaysia remains as a leading global hub for Islamic finance. It is home to the world's largest sukuk market, with a 45.1% share of global sukuk outstanding, amounting to USD258.4 billion as at end-2020. Malaysia also contributed 45.4% of the total global corporate sukuk issuance in 2020.





Source: MIFC estimates

In terms of Islamic wealth management, Malaysia accounts for 26.9% of the global market share, with assets under management (AuM) of USD35.1 billion as at end-2020. Malaysia ranked first globally in terms of number of funds, accounting for 29.8% of the global share with a total of 394 funds registered. Currently, there are 23 Islamic fund management companies and 34 fund management companies with Islamic windows in Malaysia.

1.2.2 Development Financial Institutions

Development Financial Institutions (DFIs) in Malaysia are specialised financial institutions established by the Government with a specific mandate to develop and promote key sectors that are considered of strategic importance to the overall socio-economic development objectives of the country. These strategic sectors include the agricultural, SMEs, infrastructure, maritime, and export-oriented sectors, as well as capital-intensive and high-technology industries.

As specialised institutions, DFIs provide a range of specialised financial products and services to suit the specific needs of the targeted strategic sectors. Ancillary services in the form of consultation and advisory services are also provided by DFIs to nurture and develop the identified sectors. DFIs therefore complement the banking institutions and act as a strategic conduit to bridge the gaps in the supply of financial products and services to the identified strategic areas for the purpose of long-term economic development.

In 2002, the Development Financial Institutions Act 2002 (DFIA) was enacted to promote the financial and operational soundness of the DFIs through sustainable practices and the requisite regulatory and supervisory framework, allowing the institutions to perform their mandated roles in a prudent, efficient, and effective manner. With the enactment of the DFIA, BNM was appointed as the central regulatory and supervisory body for DFIs.

There are six (6) DFIs prescribed under the DFIA:

- Small Medium Enterprise Development Bank Malaysia Berhad or SME Bank, which provides financing and advisory services to SMEs involved in the manufacturing, services, and construction sectors;

[2] *Includes Development Financial Institutions (DFIs)*

- Bank Pembangunan Malaysia Berhad, which provides medium- and long-term financing for infrastructure projects, maritime, capital-intensive, and high-technology industries, and other sectors in line with the national development policy;
- Bank Kerjasama Rakyat Malaysia Berhad, a cooperative bank that encourages savings and provides financial services to both members and non-members;
- Export-Import Bank of Malaysia Berhad or EXIM Bank, which provides credit facilities to support the export and import of goods and overseas projects, as well as to provide export credit insurance and guarantee services;
- Bank Simpanan Nasional, which focuses on retail banking and personal finance, especially for small savers, and supports the financial inclusion agenda by providing microfinancing and agent banking services; and
- Bank Pertanian Malaysia Berhad or Agrobank, which accepts savings deposits, providing financing and advisory services to support the development of the agricultural sector and communities.

In its continuing efforts to further strengthen the DFIs, the DFIA was amended to further enhance the institutions' intermediary role of supporting the strategic economic sectors amidst a challenging operating environment. The amendments focused on further strengthening corporate governance practices, and on increasing operational efficiency as well as the capacity and capability of DFIs to perform their mandated roles more effectively. Amendments to the DFIA were passed in Parliament in July 2015 and took effect on 31 January 2016.

1.3 Malaysia International Islamic Financial Centre (MIFC)

In August 2006, the MIFC initiative was launched to position Malaysia as the international hub of Islamic Finance, and to strengthen the country's role as an intellectual epicentre for Islamic finance.

The MIFC initiative comprises a community network of financial and market regulatory bodies, Government ministries and agencies, financial institutions, human capital development institutions, and professional services companies that participate in the field of Islamic finance. The MIFC initiative is supported by international legal, regulatory, and Shariah-compliant best practices that enable industry practitioners to conduct international business in Islamic finance throughout Malaysia, while enjoying attractive incentives in a business-friendly environment.

In evolving Malaysia as an Islamic finance market place, Malaysia aims to be an open marketplace that is linked to a network of other financial hubs. As a destination for financial investment, Malaysia offers a platform and a gateway for global Shariah-compliant investment opportunities via the MIFC initiative. Malaysia offers a business connection to each segment of the Shariah-compliant financial industry, with attractive value propositions and opportunities for global institutions, talents, investors, and issuers.

Malaysia is well-positioned to act as a gateway to facilitate and enhance greater international linkages and market integration in Islamic finance between the Asian region and the rest of the world. Situated centrally in the Asian time zone, Malaysia presents itself as a meeting platform for those with surplus funds and those who seek to raise funds from any part of the world.

Malaysia invites global experts, leading players, investors, and issuers alike to shape the future of Islamic finance together through the MIFC initiative, leveraging and benefiting from

Malaysia's more than 30 years of experience in Islamic finance, in an environment of innovation and thought leadership.

For more information on the MIFC initiative, please visit www.mifc.com.

2. EXPORT CREDIT REFINANCING

Export Credit Refinancing (ECR) provides Shariah-compliant and conventional short-term pre- and post-shipment financing to Direct or Indirect exporters either in RM or US dollars. It is made available to a manufacturer or a trading company that is incorporated in Malaysia that is directly or indirectly involved in exports and international trade. Companies with ECR credit lines duly established with participating financial institutions (ECR Banks) are eligible for the following types of facilities:-

a. Pre-shipment ECR

The Pre-shipment ECR facility is a financing advance by EXIM Bank to facilitate purchases/ imports prior to the export shipment of Malaysian products, and to encourage the backward linkages between the exporters and local suppliers in export-oriented industries.

b. Post-shipment ECR.

The Post-shipment ECR facility is a financing advance to exporters to finance their export or trade after shipment.

2.1 Methods of Financing

Under the Pre-shipment ECR facility, there are two methods of financing extended to direct/ indirect exporters:-

a. Order-based method:-

For a direct exporter, the Pre-shipment ECR financing is an advance against evidence of an export order, whilst for indirect exporters, it is an advance against an ECR-i Domestic Letter of Credit (DLC), ECR Domestic Purchase Order (DPO) or Local Purchase Order (LPO) issued in the exporter's favour.

b. Certificate of Performance (CP) method:-

For both direct and indirect exporters, the Pre-shipment is made against a CP issued by EXIM Bank. The limit of financing is based on the CP limit for a validity period of one (1) year.

Under the Post-shipment ECR facility, the method of financing used is via purchasing the export bill at a discount, where financing is extended upon presentation of export documents to the ECR Bank.

2.2 Period and Margin of Financing

The maximum period of financing under Pre-shipment and Post-shipment is four (4) months (120 days) and six (6) months (183 days) respectively.

For the Pre-shipment Order-based method, the eligible amount of financing for direct exporters is up to 95 per cent of the value of the export order, or 95 per cent of the ECR DLC, ECR DPO, or LPO for indirect exporters.

For the Pre-shipment CP-based method, the CP limit would be the eligible amount eligible for financing. The CP limit is segregated into three periods, with each period comprising 4 months. The eligible amount of financing for direct exporters involved in manufacturing and trading is 100 per cent of the export value of the preceding 12 months. The eligible amount of financing for indirect exporters involved in manufacturing and trading is 80 per cent of the export value of the preceding 12 months.

For Post-shipment, the amount of financing is 100 per cent of the export invoice value.

2.3 Payment

For direct exporters, the source of payment for Pre-shipment financing shall be from export proceeds received from the overseas buyers/post-shipment proceeds received from the ECR banks. For indirect exporters, the source of payment for Pre-shipment financing should be made from local sales proceeds received from the ECR users, Free Trade Zone (FTZ)/Licensed Manufacturing Warehouse (LMW) companies.

For the Post-shipment financing, payment due shall be liquidated upon receipt of export proceeds, or on maturity of the Post-shipment bill, whichever is earlier.

For more information on ECR, please visit www.exim.com.my.

3. THE CAPITAL MARKET IN MALAYSIA

3.1 Securities Commission Malaysia

The Securities Commission Malaysia (SC) is responsible for the regulation and development of the Malaysian capital market. It is a self-funded statutory body that has both investigative and enforcement powers.

The SC's aim is to promote and maintain fair, efficient, secure, and transparent securities and derivatives markets, as well as to facilitate the orderly development of an innovative and competitive capital market. It is committed to developing a capital market that is accessible, agile, and accountable.

Developing the Malaysian Capital Market

Malaysia has become a well-diversified capital market that includes an equity market with over 900 listed companies, a bond market that is the third largest in Asia, an innovative Islamic capital market that is well-regarded globally, a derivatives market that is the leading price discovery centre for crude palm oil (CPO), and a domestic unit trust industry that is one of the largest in the region.

In 2020, Malaysia's capital market stood at RM3.4 trillion, equivalent to 2.4 times the size of the domestic economy. Malaysia is a global leader in the Islamic capital market, with RM2.3 trillion in Shariah-compliant equities and sukuk outstanding, and continues to be the world's largest sukuk market. The total fund management industry's AUM grew to RM905.5 billion in 2020, with total Islamic AUM comprising RM216.8 billion.

Building on the strength in the Islamic capital market, the SC has led efforts to establish Malaysia as a regional centre for sustainable finance. Following the internationally recognised issuance of the world's first green sukuk in 2017, the SC has expanded the Green SRI Sukuk Grant Scheme to cover all sukuk issued under the SC's SRI Sukuk Framework and bonds issued under the ASEAN Green, Social and Sustainability Bond Standards. As at end 2020, a total of eight green SRI sukuk grants have been approved, supporting RM3.1 billion in funds raised.

Supporting the Real Economy

The Malaysian capital market provides financing to enable the growth of the economy. In 2020, total funds raised through bonds, sukuk, and equity issuances amounted to RM376.7 billion. Alternative fundraising channels for micro, small, and medium enterprises, such as equity crowdfunding and peer-to-peer financing, stood at RM631 million raised through 7,840 campaigns.

The SC is focused on building an enabling ecosystem which provides accessibility, while ensuring investor protection and intermediation efficiency. Its core mandates, i.e. to regulate and ensure market growth, are carried out with the objective of protecting investors. This includes initiatives to raise financial and investment literacy.

For more information, visit www.sc.com.my.

3.2 Bursa Malaysia

Since its establishment in 1976, Bursa Malaysia has grown to become one of the largest bourses in ASEAN, with more than 900 listed companies raising capital across 50 economic activities. As an inclusive marketplace, Bursa Malaysia provides easy access to many investment products and services, connecting domestic and foreign market participants to all types of opportunities to help them expand or invest. Its diverse product range includes equities, derivatives, futures and options, offshore, and Islamic assets, as well as other investment choices including Exchange Traded Bonds and Sukuks (ETBS) and collective investment schemes such as Exchange Traded Funds (ETFs) and Real Estate Investment Trusts (REITs). In addition, Bursa Malaysia also offers exchange-related services such as listing, trading, clearing, settlement and depository.

As one of ASEAN's preferred fund-raising destinations, Bursa Malaysia offers efficient access to issuers in terms of fulfilling their capital raising needs. Companies are listed either on the Main Market for large cap established companies, or on the ACE Market for emerging companies of all sizes. In 2017, a new market called LEAP was introduced to provide the SMEs an avenue to raise funds and visibility in the capital market. LEAP is the first of its kind in ASEAN, putting Malaysia ahead of the curve in the region in terms of capital market innovation. Today, Bursa Malaysia is proud to be home to regional companies and some of the largest companies in natural resource-based sectors.

Bursa Malaysia adopts the FTSE Bursa Malaysia KLCI (FBMKLCI) as its benchmark index. Over the past 10 years (2011-2020), the benchmark index FBMKLCI has grown by 7 per cent, while the total market capitalisation of all listed companies on Bursa Malaysia has grown by 42 per cent. The Malaysian equity market has continued to record growth despite the increased volatility and challenges in the global equity markets. Interest of foreign investors in the Malaysian market remained fairly stable, with foreign ownership consistently above 20 per cent.

Since Bursa Malaysia's transformation into a public listed company on 18 March 2005, the exchange has achieved several notable milestones. Today, Bursa Malaysia is globally recognised as the best, most innovative exchange in Shariah investment – a distinction earned from pioneering various innovations in Islamic finance, such as Bursa Malaysia-i – the world's first end-to-end Shariah securities investing platform, and Bursa Suq-Al-Sila'– the world's first end-to-end Shariah-compliant commodity-trading platform. Bursa Malaysia is also the world's biggest palm oil futures trading hub. Its Crude Palm Oil Futures contract has long been recognised and referenced as the global price benchmark for the palm oil industry.

In terms of corporate governance and sustainability, Bursa Malaysia is making a name for itself at the forefront of the region as a responsible exchange, strong advocate of corporate governance, and champion of the sustainability agenda. In 2014, it introduced the FTSE4Good Bursa Malaysia Index to measure the performance of companies demonstrating good environmental, social, and governance practices, and further strengthened its commitment to promote sustainable strategies among issuers and the marketplace in 2015 when it joined the United Nations Sustainable Stock Exchanges initiative. In 2018, Bursa Malaysia launched BursaSUSTAIN, a one-stop online knowledge repository on corporate governance, sustainability, and responsible investment, to spread understanding of these topics to a wider group of stakeholders.

As Bursa Malaysia advances towards fulfilling its vision to be ASEAN's leading sustainable and globally-connected marketplace, it will continue to remain focused on initiatives to widen its reach and offerings, and foster a conducive capital market ecosystem that provides ample opportunities for all market participants to grow.

For more information on Bursa Malaysia, visit www.bursamalaysia.com.

Market Participants

a. Stockbroking Companies

As of 31 December 2020, there are 29 stockbroking companies, of which nine are categorised as Investment Banks. These stockbroking companies offer services in the dealing of securities listed on Bursa Malaysia Securities. Investment banks hold merchant banking licences issued by BNM under the Financial Services Act 2013 (FSA) and the IFSA, as well as Capital Markets Services licences issued by the Securities Commission under the Capital Markets & Services Act 2007. As such, investment banks able to offer the full scope of integrated capital market and financial services, which include corporate finance, debt securities trading and dealing in securities. There remains one stockbroking company that still holds a universal broker status (a universal broker able to offer integrated capital market services).

b. Trading Participants

A Trading Participant is a company that carries out the business of dealing in derivatives, and is admitted as a Trading Participant under the Rules of Bursa Malaysia Derivatives. Trading Participants conduct business as futures brokers licensed by the Securities Commission under the Capital Markets & Services Act 2007. As of 31 December 2020, there are 17 Trading Participants licensed to conduct derivatives trading.

Investor Education and Protection

Bursa Malaysia places utmost importance on investor education, protection, and market integrity to ensure a well-functioning, vibrant, and sustainable capital market. It achieves this by providing continuous education, and maintaining a comprehensive and robust regulatory framework to govern the market and its participants in a fair and orderly manner.

As part of its continual effort to educate and help investors make informed decisions on investments, Bursa Malaysia recently launched "Bursa Academy" in June 2020, an e-learning platform targeting primarily retail investors across the Securities Market, Derivatives Market, and Islamic Capital Market. Bursa Academy provides investors with a holistic learning journey that caters to their differing needs, expertise, and skill levels. A free-to-access and comprehensive one-stop learning portal, it combines both knowledge sessions and interactive gamification through a user-friendly platform. The platform strengthens the education initiatives of the Exchange, and complements other digital tools available to investors – such as the Bursa Marketplace app that has market data and trading ideas, and the Bursa Anywhere app that simplifies Central Depository System account management transactions.

To safeguard investor protection, Bursa Malaysia has put clear, comprehensive, and accessible rules in place that are reviewed from time to time to ensure they remain relevant, effective, and benchmarked against international standards of market regulation. This is aimed at ensuring the rules provide adequate levels of investor protection, but, at the same time, do not result in burdensome compliance costs nor impede ease of doing business and growth.

In undertaking its regulatory functions, Bursa Malaysia also places significant focus on ensuring adequate transparency in the marketplace, as well as improving the governance and conduct of listed companies and intermediaries. It continues to elevate the standards of disclosures, as well as corporate governance and sustainability practices, through (amongst others) its supervisory approach and outreach education programmes. In addition, vigilant monitoring and pro-active measures undertaken by Bursa Malaysia's Regulation department ensure timely detection and management of irregular or unwarranted corporate and trading activities.

These have contributed to a well-regulated market underpinned by adequate levels of investor protection, where the culture of self-regulation and quality of practices by market participants continue to strengthen, and the markets are fair, orderly, and vibrant.
The strength of market regulation has gained international recognition, and some of the notable achievements include the following:

- In the corporate governance space, Malaysia rose strongly from seventh to fourth place in the CG Watch 2018, a regional corporate governance ranking maintained by the Asian Corporate Governance Association.
- Malaysia has made considerable improvement in the Average Score for the top 100 Malaysian publicly listed companies, from 80.41 points in 2015 to 98.40 points in 2019 based on the 2019 corporate governance assessment conducted by the Minority Shareholders Watch Group.
- Malaysia was the country with the highest number of publicly listed companies (i.e. 7) in the Top 20 ASEAN Publicly Listed Companies, based on the ASEAN Corporate Governance Awards 2019 announced in December 2020, by the ASEAN Capital Markets Forum.
- Malaysia was ranked second among 190 countries for Protecting Minority Investors based on the World Bank's Ease of Doing Business Ranking as of May 2019.

Risk Management

Bursa Malaysia adopts the Guidelines on Financial Market Infrastructures and the Malaysian Code on Corporate Governance issued by the Securities Commission of Malaysia. These are aligned with best practices such as ISO 31000:2018 Risk Management - Principles and Guidelines, and Principles for Financial Market Infrastructures frameworks issued by the Committee on Payments and Markets Infrastructures and International Organisation of Securities Commissions to manage the risks of its business, operations and to ensure it operates in a safe and efficient manner.

Note: To provide a holistic and integrated enterprise-wide view of the risk, integrity, governance, and compliance management within the Group, Bursa Malaysia has established a centralised risk management function. Additionally, the establishment of the Integrity Governance Unit in 2020 pursuant to the Prime Minister's Directive (No. 1 of 2018), reaffirms Bursa Malaysia's commitment to safeguard integrity and institutionalise good governance and ethics, which is essential for a market operator and front-line regulator.

One of the key features of Bursa Malaysia's enterprise risk management framework is the implementation of three lines of defence comprising established and clear functional responsibilities and accountabilities for the management of risk. Bursa Malaysia's risk management framework is embedded in the Enterprise Risk Management Principles and Framework (ERMPF) document which is applicable to all business entities within Bursa Malaysia. The ERMPF is reviewed at least once a year to ensure relevance.

The accountability, authority, and responsibilities of the relevant parties in Bursa Malaysia for managing risk, including implementing and maintaining the risk management process, as well as ensuring the adequacy, effectiveness, and efficiency of any controls, have been clearly outlined. There is an established and structured process for the identification, assessment, communication, monitoring, and continual review of risks, as well as the effectiveness of risk mitigation strategies and controls.

4. LABUAN FINANCIAL SERVICES

4.1 Labuan Financial Services Authority (Labuan FSA)

Labuan Financial Services Authority (Labuan FSA) is a statutory body under MOF, which is responsible for the development and administration of the Labuan International Business and Financial Centre (Labuan IBFC).

The key role of Labuan FSA is to license and regulate licensed entities operating within Labuan IBFC, and to ensure all such entities remain in compliance with internal and international best standards as adopted by the jurisdiction. This is to safeguard investors' interests as well as to maintain the soundness of the regulatory environment in Labuan IBFC.

As the regulatory authority for Labuan IBFC, Labuan FSA is committed to maintaining the position of Labuan IBFC as a well-regulated and reputable international financial centre, while the promotion of the centre is undertaken by Labuan IBFC Incorporated Sdn. Bhd. (Labuan IBFC Inc.), a wholly-owned subsidiary of Labuan FSA.

Labuan IBFC Inc. boasts a dedicated marketing team that works closely with the regulator, market players, and industry specialists in facilitating both global businesses that look at penetrating Asia, as well as Asian entities aiming to go global. Its ultimate aim is to ensure the sustainability of the centre, by ensuring that Labuan IBFC's key value propositions are understood as well as appreciated.

4.2 Doing Business in the Labuan IBFC

Labuan IBFC is strategically located in the centre of Asia Pacific and is the gateway for investments into and out of the region. Labuan IBFC being a mid-shore jurisdiction offers global investors and businesses the benefits of being in a well-regulated and supervised jurisdiction, which adheres to international standards and best practices. The centre also provides fiscal neutrality and certainty in a currency-neutral operating environment.

Well supported by a robust, internationally-recognised yet business-conducive legal framework, Labuan IBFC offers a wide range of structures and solutions for cross-border transactions and international businesses in conventional, Shariah-compliant, and digital forms.

Labuan IBFC's role as a wholesale financial intermediation centre continues to attract investors with its pragmatic mid-shore proposition – offering the ease of doing business combined with the high international standards of regulation and supervision found onshore. Coupled with the cost-efficiency of the jurisdiction, it makes the centre an ideal base for global business trailblazers seeking innovative growth in Asia.

Entities incorporated/registered in Labuan IBFC enjoy many advantages, from cost-efficient substance creation to facilitative tax incentives and access to extensive double tax treaty agreements through the Malaysian double tax treaty network.

Under the Labuan IBFC's taxation framework, a Labuan entity carrying on Labuan trading activity pays tax each year at the rate of 3 per cent of its audited net profits, subject to compliance with the economic substance requirements. Labuan entities carrying on non-trading activities are not subject to tax. The Government has also granted various tax exemptions to further entice investors to establish their presence in Labuan IBFC, such as exemptions for withholding tax and stamp duty.

Labuan entities could also make an irrevocable election to be taxed under the Malaysia Income Tax Act 1967. This would give them more flexibility to structure their business transactions effectively, and create a more favourable tax condition for the investors.

4.3 Business Activities of Labuan IBFC

Labuan IBFC offers a wide range of business structures and investment solutions catering to cross-border transactions and international business dealings, including digital-related solutions. The Centre provides services and solutions in niche areas such as risk management, commodity trading, wealth management, international business companies, Islamic financial services, and digital financial services.

Labuan IBFC is the only jurisdiction in Asia that offers private foundations as a wealth management solution, and among the few jurisdictions in the world to offer protected cell company for captives, a self-insurance solution.

For more information on Labuan IBFC, please visit www.labuanibfc.com.

5. FOREIGN EXCHANGE POLICY

Malaysia maintains a liberal Foreign Exchange policy (FEP) regime that forms a part of BNM's broader prudential toolkit to ensure monetary and financial stability. The FEP safeguards the balance of payment position and value of the national currency, whilst supporting the competitiveness of its economy through facilitation of a more conducive environment for cross-border real economic activities.

Further details of the FEP are available at https://www.bnm.gov.my/fep.

5.1 Rules applicable to Non-Residents

5.1.1 Investments in Malaysia

The Malaysian markets are easily accessible by global investors, with free mobility of inflows and outflows of capital for investments in Malaysia.

- Non-residents are free to invest in any type of RM or foreign currency assets in the form of direct investment or portfolio investment;
- Non-residents are free to repatriate divestment proceeds, profits, dividends, or any income arising from investments in Malaysia in foreign currency.

5.1.2 Accessibility to domestic financing

a. Borrowing in foreign currency

- Non-residents are free to borrow any amount of foreign currency from licensed onshore banks. Proceeds of the borrowing can be utilised offshore or onshore; and
- Non-residents are free to issue foreign-currency denominated sukuk/bonds in Malaysia for use onshore or abroad.

b. Borrowing in Malaysian Ringgit (RM)

Non-residents (excluding financial institutions) are free to borrow any amount in RM from licensed onshore banks (excluding licensed international Islamic banks) and other residents to finance real sector activities in Malaysia.

5.1.3 Payment and receipt

Non-residents may undertake settlement in RM or foreign currency for international trade in goods or services, as well as any income earned or expense incurred in Malaysia with residents, through licensed onshore banks or their Appointed Overseas Office (AOOs).

5.1.4 Foreign Exchange (FX) hedging

Non-residents are free to hedge FX exposures arising from current and financial account transactions on their own account, or on behalf of their related entities, with licensed onshore banks (excluding licensed international Islamic banks) or their AOOs.

5.1.5 Ringgit and foreign currency accounts

Non-residents are free to open RM or foreign currency accounts with any licensed onshore banks to facilitate business operations and investments in Malaysia. They can also remit the funds in these accounts freely abroad.

5.2 Rules applicable to Residents

5.2.1 Investment in foreign currency assets

- Residents without domestic RM borrowing[3] are free to undertake any amount of investment in foreign currency assets onshore or abroad.
- Resident entities with domestic RM borrowing are free to undertake investment in foreign

currency assets onshore or abroad up to a prudential limit of RM50 million equivalent in aggregate per calendar year on a corporate group basis using foreign currency funds sourced from :–

a. Conversion of RM into foreign currency;

b. Trade Foreign Currency Account (FCA);

c. Foreign currency borrowing obtained from a licensed onshore bank for purposes other than direct investment abroad; or

d. Swapping of a financial asset in Malaysia for a financial asset outside Malaysia.

5.2.2 Borrowing onshore and offshore

a. Borrowing in foreign currency

- Resident entities are free to borrow any amount of foreign currency from:
  - Licensed onshore banks;
  - Resident and non-resident companies within their corporate group;
  - Resident and non-resident direct shareholders; and
  - Other residents via the issuance of foreign-currency-denominated debt securities.
- Resident entities are free to borrow foreign currencies from non-resident financial institutions and non-resident entities outside their corporate group up to a prudential limit of RM100 million equivalent in aggregate on a corporate group basis.

b. Borrowing in Malaysian Ringgit (RM)

Resident entities are free to obtain RM borrowing of:

- Any amount from :–
  a. Non-resident entities within their corporate group and non-resident direct shareholders to finance activities in the real sector in Malaysia; or
  b. Any non-resident via the issuance of redeemable preferences shares for use in Malaysia or corporate debt securities (excluding non-tradable corporate debt securities issued to non-related non-resident entities or non-resident financial institutions); or
- Up to RM1 million in aggregate from any non-resident (excluding financial institutions) for use in Malaysia.

5.2.3 Payment and receipt

- Residents may undertake settlement in RM or foreign currency for international trade in goods or services, as well as any income earned or expense incurred in Malaysia with non-residents.
- Resident exporters shall repatriate all export of goods proceeds in full value back to Malaysia within six (6) months from the date of shipment. Resident exporters are accorded flexibility to:–
  - Repatriate export of goods proceeds beyond six (6) months and up to 24 months for permitted reasons beyond the resident exporters' control; and
  - Net-off or write-off export of goods proceeds against permitted transactions or reasons.

[3] Domestic RM borrowing means borrowing in RM obtained by a resident from another resident, or any obligation considered or deemed as domestic RM borrowing under any of the FE Notices.

- Resident exporters may settle domestic trade in goods or services in foreign currency with other residents operating in the global supply chain[4], directly or through resident intermediate entities. Such payments must be undertaken between the resident payer and payee's Trade FCAs, and must not be sourced from conversion of RM.

5.2.4 FX hedging

Residents are free to hedge FX exposures arising from current and financial account transactions on their own account, or on behalf of their related entities, with licensed onshore banks (excluding licensed international Islamic banks).

5.2.5 Foreign currency accounts

Residents are free to open foreign currency accounts with licensed onshore banks and non-resident financial institutions.

For more information on the foreign exchange administration rules of Malaysia, please visit http://www.bnm.gov.my/fxadmin.

[4] *Defined as a business activity where a resident importer purchases goods or services from overseas to support production and distribution of goods or services by a resident exporter for its export activities.*

CHAPTER VI: OBTAINING FINANCIAL ASSISTANCE

1. FINANCIAL ASSISTANCE FOR SMEs

The Government provides an enabling environment for the growth and development of globally-competitive and resilient SMEs. Initiatives and programmes by the Government are directed toward addressing constraints and enhancing capabilities of SMEs in areas such as financial accessibility, advisory services, marketing, technology, and ICT.

Financial assistance in the form of grants and soft loans is provided by the Ministry of International Trade and Industry (MITI) and its agencies. Apart from the Government, funds are also channelled through commercial financial institutions.

Agencies that are responsible for the administration of these financial assistance schemes are as follows:

1.1 SME Corporation Malaysia

Business Scale-Up Programme (Biz-Up Programme)

Business Scale-Up Programme (Biz-Up Programme) is an integrated assistance programme aimed to enhance the capabilities of small and medium enterprises (SMEs) through business advisory services and financial support. This programme supports a wide range of capacity building initiatives in assisting SMEs to grow and expand their businesses locally and globally.

These programmes take an integrated approach through the following four (4) components:

- Assessment on the company to identify business performance and requirements;
- Capacity building or skills enhancement to cover entrepreneurship training, awareness on branding and certification etc.;
- Business advisory services by Business Counsellors; and
- Advisory services for access to financing from various financial institutions.

Qualifying Criteria:

- SME Status Certification
- Fulfil SME definition
- Annual sales turnover exceeds RM300,000 per year
- At least 60 per cent local equity
- Valid business premise licenses from local authorities
- At least six (6) months in operations
- Has undergone or is willing to undergo SCORE/M-CORE assessment
- Limited to SMEs in sectors related to:
    - Industry 4.0/Automation/Digitalisation
    - Logistics
    - Retail/Wholesale

- Smart Cities
- Agarwood/Swiftlets

Two (2) types of financing offered:

1. Matching Grant (Offered by SME Corp. Malaysia)

Scope of Financing:

- Machines/Sensors/Retrofitting
- CRM/Automation Systems/Front-end & Back-end Systems
- Warehousing Systems
- e-Commerce
- Premises renovation (for certification requirements only)
- Advertising and Promotion
- Packaging and Product Packaging

2. Soft Loan (Offered by SME Bank)

Scope of Financing:

- Purchase of Machinery & Equipment (including Main Software for the services sector & commercial vehicles).
- Working Capital (for purchase of stock of goods & raw materials, packaging & packaging materials, and renovation).

Administrative Fee:

RM3,000 to be paid by company upon acceptance of offer

For enquiries on Biz-Up, please contact:

SME Corporation Malaysia
Level 4, SME 1, Block B
Platinum Sentral
Jalan Stesen Sentral 2
Kuala Lumpur Sentral
50470 Kuala Lumpur
Tel: 03-2775 6000
Fax: 03-2775 6001
E-mail: info@smecorp.gov.my
Info Line: 1-300-30-6000

1.2 Malaysian Industrial Development Finance Berhad (MIDF)

- **Soft Loan Scheme for Services Capacity Development (SLSCD)**

The SLSCD was launched in April 2009 to assist companies and enterprises to undertake upgrading and modernisation for diversifying into higher-value-added activities, and improving the productivity and efficiency of service delivery. It addresses the impact of liberalisation on local service providers, by providing financial assistance to the services sectors to build up their capacity to withstand competition due to the opening of markets, as well as to strengthen international competitiveness.

Eligible Sectors:
- All services sectors (excluding the financial, insurance, utilities, and construction sectors)

Eligibility:
- Companies registered under the Companies Act 1965, Companies Act 2016 or enterprises registered under the Registration of Business Ordinance 1956 or professionals registered under the Certificate of Practice by Professional Regulatory Bodies;
- At least 60 per cent equity held by Malaysians;
- Possesses a valid premises licence;
- In operation for at least two (2) years; and
- Annual turnover exceeding RM200,000 and exceeding five full-time employees.

Eligible Items:

Expenditures to be incurred for upgrading and modernisation including equipment, it hardware and software, as well as related development costs for the purposes of diversifying into higher-value-added activities and improving productivity and efficiency of service delivery.

Financing Amount:
- Minimum: RM50,000
- Maximum: RM5.0 million per application

Profit Rate:
- 4 per cent per annum on yearly rest (for SMEs)
- 5 per cent per annum on yearly rest (for Non-SMEs)

Margin of Financing:
- Up to 90 per cent of the expenditure

Tenure:
- Up to a maximum of seven (7) years including a grace period of up to 24 months

Definition of SMEs in the services sector as endorsed by the National Entrepreneur and SME Development Council (NESDC): Sales turnover not exceeding RM20 million or full-time employees not exceeding 75 workers

Applications should be submitted to MIDF.

- **Soft Loan Scheme for Services Sector (SLSSS)**

Provide financing assistance for:
- New start-up companies/enterprises – creation of new services entrepreneurs.
- Expansion/upgrading/modernisation/diversification for existing services providers into higher-value-added activities and improving productivity and efficiency in service delivery.

Eligible Sector:

- All services sectors (excluding the financial, insurance, utilities, and construction sectors)

Eligibility:

- Companies incorporated under the Companies Act 1965, Companies Act 2016 or enterprises registered under the registration of Businesses Ordinance 1956 or services providers registered under the Certificate of Practice by any Professional Regulatory Bodies;
- At least 60 per cent equity held by Malaysians; and,
- Possesses a valid premises licence.

Eligible Items:

- Fixed Assets
  - Land & buildings/ready-built premises (including renovation).
  - Machinery/equipment/motor vehicles;
  - IT hardware & software; and
  - other fixed assets.
- Working Capital
  - for purchases of raw materials and consumables and receivables financing
  - for advertising and promotional costs such as media advertising, e-commerce website development, and printing of promotional materials.

Financing Amount:

- Minimum: RM100,000
- Maximum: RM5 million

Profit Rate:

- 4 per cent per annum on yearly rest (for Small and Medium Enterprises)
- 5 per cent per annum on yearly rest (for Non-Small and Medium Enterprises)

Margin of Financing:

- Fixed Assets
  - Up to 100 per cent of the costs of land/building construction/ready-built premises and renovation.
  - Up to 80 per cent of the costs of new machinery/equipment/motor vehicles/IT hardware & software and other fixed assets
  - Up to 60 per cent of the costs of used/reconditioned machinery/equipment/motor vehicles which are not more than 5 years old
- Working Capital
  - Up to 100 per cent for Purchase Revolving Credit
  - Up to 80 per cent for Sales Revolving Credit
  - Up to 50 per cent for Term Financing - advertising and promotional costs.

Tenure:

- Fixed Assets
  - Up to 15 years including a grace period of up to two (2) years for land/building construction/ready-built premises and renovation.
  - Up to six (6) years including a grace period of up to one (1) year for machinery/equipment/ motor vehicles/other fixed assets
  - Up to four (4) years including a grace period of up to one (1) year for IT hardware and software

- Working Capital
  - Up to 150 days for Sales & Purchase Revolving Credit
  - Up to three (3) years including a grace period of up to one (1) year for Term Financing - advertising and promotional costs

Definition of SMEs in the services sector as endorsed by the National Entrepreneur and SME Development Council (NESDC): Sales turnover not exceeding RM20 million or full-time employees not exceeding 75 workers.

Applications should be submitted to MIDF.

2. MAJLIS AMANAH RAKYAT (MARA) BUSINESS FINANCING SCHEME FOR PROFESSIONALS

MARA administers a scheme known as Skim Pembiayaan Mudah Jaya (SPiM). Under this scheme, Bumiputera entrepreneurs who would like to start up a business, or to expand their venture capital to upgrade their business or/and who are members of professional bodies are eligible to apply for assistance. This scheme covers business sectors that are not in conflict with Islamic concepts.

The applicant must fulfil the requirements as listed below:

- Malaysian citizens; Malays or Bumiputera
- Aged between 18 years to 60 years
- At least six (6) months experience in business undertaken for enterprise and one (1) year experience for Sdn. Bhd.
- Have knowledge in business undertaken
- Possess licence/permit/consent letter from relevant authorities
- Capital contribution: 10 per cent of total project cost must be borne by the applicant
- Conduct business full-time
- Project/business carried on is not contrary to Islamic law
- For Sdn. Bhd. – must have a minimum paid-up capital equivalent to 10 per cent of the total funding
- Applicants should undergo psychometric tests
- Rate of profit: 4 per cent

- Submit sufficient collateral/guarantor
  - (a) Guarantor
    - Aged not more than 55 years old
    - Has fixed monthly income and can cover 3 per cent from the total application amount; or
  - (b) Collateral
    - Forced sale value should be at least 10 per cent from the total application amount; or
  - (c) Combination of (a) and (b)
- Maximum amount of financing;
  - Up to RM250,000 (enterprise or sole proprietor)
  - Up to RM500,000 (Sdn. Bhd.)
- Recognised professional qualification and a member of relevant professional bodies
- Minimum of four (4) years working experience in related field
- If businesses are in the form of partnerships between Bumiputera and non-Bumiputera, the Bumiputera partner should have equity to the amount of:
  - Not less than 80 per cent for accounting, legal, and medical services
  - Not less than 60 per cent for engineering, quantity surveying, and architectural services

Applications should be submitted to MARA via MARA District Offices

3. LESTARI BUMI FINANCING (LBF) SCHEME AND JAGUH SERANTAU FINANCING

3.1 Lestari Bumi Financing (LBF) Scheme

Dedicated to micro and small enterprises to assist them in increasing their productivity, market penetration, and competitiveness.

Purpose of Financing:

- Asset Acquisition; and/or
- Working Capital

Financing Limit:

Minimum	RM100,000
Maximum	RM750,000

Margin of Financing:

Up to 100 per cent

Tenure:

Minimum	5 years
Maximum	7 years

Eligibility Criteria:

- Micro and small enterprises as defined by NESDC.
- Registered with SSM, or authorities/district offices (for Sabah and Sarawak), or statutory bodies for professional service providers.
- At least 51 per cent of its equity shareholding, Board of Directors, and Senior Management positions are held by Bumiputera.
- Shariah-compliant business.
- Minimum two (2) years in operation.

3.2 Jaguh Serantau Financing

Supporting Bumiputera SMEs that have the potential to become regional champions, with a focus on halal product producers and high-local-content manufacturers.

Purpose of Financing:

All types of financing as determined by SME Bank.

Eligibility Criteria:

- SMEs including Large Enterprises with 51 per cent or more of the equity held by Bumiputera.
- Shariah-compliant business.
- Products or services have a regional presence or are export-ready for the regional market.
- Minimum of three (3) years in operations.
- Minimum 5 per cent annual revenue growth and profitable for the past two (2) consecutive years.

Margin of Financing:

- Assets Acquisition – Up to 90 per cent
- Working Capital Requirement – Up to 100 per cent

Tenure:

Up to 20 years

Profit Rate:

From BFR – 1.0 per cent p.a. to BFR + 2.5 per cent p.a. (nett after 2.0 per cent subsidy)

4. MARKET DEVELOPMENT GRANT

4.1 What Is Market Development Grant?

The Market Development Grant (MDG) is a support initiative in the form of a reimbursable grant. MDG was introduced in 2002 to assist exporters in their efforts to promote Malaysian-made products or services globally. The lifetime limit of MDG is RM300,000 and it is specifically formulated for Malaysian SME Companies, Professional Service Providers, Trade and Industry Associations, Chambers of Commerce, Professional Bodies and Co-operatives.

[Note: MDG reimbursements are subject to the availability of Government funds.]

4.2 Why Is MDG Offered?

The purpose of MDG is to assist Malaysian SMEs, Professional Service Providers, Trade & Industry Associations, Chambers of Commerce, Co-operatives and Professional Bodies in increasing global sales by undertaking eligible export promotion activities.

4.3 Who Is Eligible To Claim the MDG?

- SMEs
  - Incorporated under the Companies Act 1965 or Companies Act 2016.
  - With at least 60 per cent equity owned by Malaysians.
  - Manufactures products that are made in Malaysia or provide services for export that originated from Malaysia, and
  - Meet the following defining criteria:

Type of Business	*Annual Sales or	*Number of Full-Time Employees
Manufacturing: (including agro-based products)	not exceeding RM50 million **or**	not exceeding 200
Trading:	not exceeding RM20 million **or**	not exceeding 75
Services: (excluding real estate)	not exceeding RM20 million **or**	not exceeding 75

** Annual Sales is based on the latest Audited Financial Statement*
** Number of Full Time Employees is according to the latest EPF Statement*

- Professional Service Providers (Sole Proprietor Or Partnership)
  - Incorporated under the Registration of Business Act (1956) or registered under the respective statutory bodies for professional services providers.
  - With at least 60 per cent equity owned by Malaysians.
  - Exporting Malaysian services and fulfil one of the following criteria:

*Annual Sales or	*Number of Full Time Employees
not exceeding RM20 million **or**	not exceeding 75

** Annual Sales is based on the latest Financial Statement*
** Number of Full Time Employees is according to the latest EPF Statement*

- Trade & Industry Associations, Chambers Of Commerce Or Professional Bodies
  - Registered with the Registrar of Society (ROS) or Associated Professional Authority.
- Co-operatives
  - Incorporated under Co-operative Societies Act 1993.
  - At least 60 per cent equity owned by Malaysians.
  - The main business activity of the co-operative is for exporting.
  - Exporting products made in Malaysia or Malaysian services.

4.4 Who Is Not Eligible to Claim for MDG?

- The following businesses will not be deemed as SMEs and also do not qualify for Government assistance:
    - Public-listed companies (PLC) in the main board such as Bursa Malaysia or main bourses in other countries.
    - Subsidiaries of the following entities:
        - o Public-listed companies (PLC) in the main board.
        - o Large firms, Multinational Corporations (MNCs), Government-Linked Companies (GLCs) or have any government equity (federal or state) in its shareholding, Syarikat Menteri Kewangan Diperbadankan (MKDs), and State-Owned Enterprises.
- Companies who are inactive in business (dormant) or less than one (1) year in operation.
- Companies who are fully subsidised or sponsored by any third party, e.g. Ministries or Government Agencies or Trade and Industry Associations or Chambers of Commerce or Professional bodies and others. Companies who received a partial subsidy from a third party can still be considered for MDG reimbursements for airfare, accommodation, or participation fee, depending on what expenses were subsidised.

4.5 What Requirements Must I Meet to be Considered for MDG?

- Meet eligibility requirements as stated under Item 4.3 above.
- Must be registered with MATRADE. Log on to http://www.matrade.gov.my/en/online-applications/register-as-matrade-member.

Registration is free.

- Details of registration must be updated from time to time. You may check the particulars of your company at http://www.matrade.gov.my/en/malaysian-exporters/online-services/myexport.

4.6 How Do I Submit My New Application of Claims or Request For reimbursement of Expenses?

All completed applications must be submitted online through MATRADE's website at www.matrade.gov.my/mdg/.

ACTIVITY	Submission of Applications
1. Participation in International Trade Fairs or Exhibitions held in Malaysia/Overseas.	Within 30 calendar days from the last date of event.
2. Participation in Trade & Investment Missions (TIM) or Export Acceleration Missions (EAM)	
3. Participation in International Conferences Held Overseas	
4. Listing fees in Supermarkets or Hypermarkets or Retail Cen-tres or Boutique Outlets Located Overseas	From the first day of listing

4.7 What Activities & Expenses are Eligible for Grant Funding?

- Participation In International Trade Fairs Or Exhibitions

ACTIVITY	*GRANT AMOUNT	DESCRIPTION	EXPENSES
a) International Trade Fairs or Exhibitions held in Malaysia	RM5,000	Eligible Events: Business to Business (B2B) events. Events **Not** Eligible: Business to Consumer (B2C) or festival fairs or similar events.	• Participation fee or Booth rental • Booth construction or Enhancement • Air fare • Public land transportation - bus, taxi or train from Malaysia to an ASEAN country destination only. (Does not include ground/ intercity transportation within that ASEAN country destination). • Accommodation
b) International Trade Fairs or Exhibitions held overseas	RM25,000		

Additional Information on International Trade Fairs or Exhibitions Held In Malaysia

DESCRIPTION
Companies would be eligible for reimbursement of expenses for participating in an international trade fair or exhibition **held in Malaysia, with the endorsement by MATRADE. The organiser should submit the application of endorsement to Malaysian Export Exhibition Centre (MEEC) Unit.**

However, the international trade fairs or exhibitions held in Malaysia **must meet the definition** of an international standard trade event, in order to qualify for MDG reimbursements. **(Revision)***

(a) An international standard trade fair or exhibition held in Malaysia is defined as an event where:

- Gross space occupied must be at least 1,000 square metres; **and**
- Event traffic of at least **5 per cent** foreign visitors; **or***
- **10 per cent** net space are rented to foreign exhibitors; **or***
- Event attracts at least **10 per cent** foreign exhibitors.*

(b) Companies must ensure that MATRADE receives a copy of an **External Auditor-Certified Trade Fair or Exhibition Report** confirming compliance to item (a) of the above, together with:

- **A cover letter with an authorised signature, a correspondence email and contact number**
- **Show directory**
- **Companies Act 2016: Sekyen 263 (4) - Pembaharuan Kelulusan Juruaudit**
- **Auditor certificate (practising certificate)**

(c) The Audited Trade Fair or Exhibition **Report must be submitted within 30 calendar days** from the last date of the trade fair or exhibition.

The trade fair or exhibition organiser is encouraged to submit:

- list of foreign buyers
- total sales generated

(d) Companies should deal directly with the organisers of trade fairs or exhibitions in Malaysia to ensure the organiser submits a copy of the Audited Trade Fair or Exhibition Report to MATRADE.

- Participation In Trade & Investment Missions (TIM) or Export Acceleration Missions (EAM)

ACTIVITY	DESCRIPTION	*GRANT AMOUNT	EXPENSES
a) Trade & Investment Missions (TIM) or Export Acceleration Missions (EAM)	i) Organised by MATRADE	RM10,000	• Participation fee • Air fare • Public land transportation - bus, taxi or train from Malaysia to an ASEAN country destination only. (Does not include ground/intercity transportation within that ASEAN country destination). • Accommodation
	ii) Joint collaboration programme with MATRADE **(subject to prior approval from MATRADE).** Collaborators may include: • Ministry or Government Agency or State Government • Chambers of Commerce or Business Council • Trade & Industry Association • Professional Body • Co-operative	RM10,000	• Participation fee (Maximum of RM2,000) • Air fare • Public land transportation - bus, taxi or train from Malaysia to an ASEAN country destination only. (Does not include ground/intercity transportation within that ASEAN country destination). • Accommodation

	iii) Organised by other entities (registered in Malaysia): • Ministry or Government Agency or State Government • Chambers of Commerce or Business Council • Trade & Industry Association • Professional Body • Co-operative • Professional Body • Co-operative	RM2,000	• Participation fee • Air fare • Public land transportation - bus, taxi or train from Malaysia to an ASEAN country destination only. (Does not include ground/intercity transpor-tation within that ASEAN country destination). • Accommodation

Additional Information for ORGANISERS and JOINT COLLABORATORS in 2.2 for Trade & Investment Missions (TIM) or Export Acceleration Missions (EAM)

1. **Joint Collaboration** Programme with MATRADE as in (ii) • The interested party must get prior **approval** from MATRADE by submitting **Form A- Joint Collaboration Form** as in **ANNEX 4** to MATRADE within three (3) month **BEFORE** the start of the planned programme. **Form A can be downloaded at** : http://www.matrade.gov.my/en/malaysian-exporters/services-for-exporters/exporters-development/market-development-grant-mdg
2. **Key Performance Indicator (KPI)**: Collaborator must **indicate targeted export sales**. 3. **Export sales recorded:** • Approved participants must report their export sales outcome to MATRADE. • Where a Trade and Industry Association/ Chamber of Commerce is the responsible party that organised or co-organised the event; they are required to follow-up and inform MATRADE on the export sales outcomes of their individual participants.
4. **Submission of Report** • A full report of the mission as in **ANNEX 3** must be forwarded to MATRADE **within 14 working days** from the last date of the mission.
5. MATRADE **will not** be able to proceed with claims for reimbursement if documents submitted are incomplete.

- Participation In International Conferences Held Overseas

ACTIVITY	DESCRIPTION	MAXIMUM GRANT AMOUNT	EXPENSES
International Conferences held Overseas	The activity must be re-lated to the promotion of exports. [As a speaker or participant]. (Does not apply to work-shop, seminar or training for the purpose of acquir-ing skills, upgrading knowledge or human cap-ital development).	RM2,500	• Participation fee • Air fare • Public land transportation - bus, taxi or train from Mealaysia to an ASEAN country destination only. (Does not include ground/intercity transportation within that ASEAN country destination). • Accommodation

- Listing Fees for Made in Malaysia Products in Supermarkets or Hypermarkets or Retail Centres or Boutique Outlets Located Overseas

ACTIVITY	DESCRIPTION	MAXIMUM GRANT AMOUNT	EXPENSES
Listing fees for Made in Malaysia products in Su-permarkets or Hyper-markets or Retail Cen-tres or Boutique Outlets Located Overseas	Limited to one Supermarket or Hypermarket or Retail Centre or Boutique Outlet located per country.	RM2,500	Listing fees

If the **documentation** or claim is found to be **false**, the applicant, company or both, will be **blacklisted** and will be required to reimburse in full to MATRADE all monies received from MDG.

CONTACT INFORMATION

All **enquiries** and submission of hard copy of the **reports** must be sent to:

Market Development Unit (MDG)
8th Floor, East Wing
Menara MATRADE
Jalan Sultan Haji Ahmad Shah
50480 Kuala Lumpur
Tel: 03-6207 7593
Fax: 03-6203 7252
Website: www.matrade.gov.my
Email: mdg@matrade.gov.my

CHAPTER VII: SAFEGUARDING YOUR INTELLECTUAL PROPERTY RIGHTS IN MALAYSIA

Malaysia takes the protection of proprietary knowledge and intellectual property (IP) very seriously. IP oversight in Malaysia is administered by the Intellectual Property Corporation of Malaysia (MyIPO), an agency under the Ministry of Domestic Trade and Consumer Affairs. IP protection in Malaysia comprises of patents, trademarks, industrial designs, copyrights, geographical indications, and layout designs of integrated circuits. Malaysia is a member of the World Intellectual Property Organisation (WIPO), and a signatory to the Paris Convention and Berne Convention, which govern these intellectual property rights.

In addition, Malaysia is also a signatory to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), under the auspices of the World Trade Organisation (WTO). Malaysia provides adequate protection to both local and foreign investors. Malaysia's IP laws are in conformance with international standards, and have been reviewed by the TRIPs Council periodically.

1. Patents

The Patents Act 1983 and the Patents Regulations 1986 govern patent protection in Malaysia. An applicant may file a patent application directly if he is domiciled or resident in Malaysia. A foreign application can only be filed through a registered patent agent in Malaysia acting on behalf of the applicant.

Similar to legislations in other countries, an invention is patentable if it is new, involves an inventive step, and is industrially applicable. In accordance with TRIPS, the Patents Act stipulates a protection period of twenty (20) years from the date of filing of an application. Under the Act, the utility innovation certificate provides for an initial duration of ten (10) years of protection from the date of filing of the application, which is renewable for further two consecutive terms of five (5) years each; subject to use. The owner of a patent has the right to exploit the patented invention, to assign or transmit the patent, and to conclude a licensed contract. However, exceptions to patents, such as compulsory licences and parallel imports, are also included.

2. Trademarks

Trademark protection is governed by the Trademarks Act 2019 and the Trademarks Regulations 2019.

The Act provides protection for registered trademarks and service marks in Malaysia. Once registered, no person or enterprise other than its proprietor or authorised users may use them. Infringement action can be initiated against abusers. The period of protection is ten (10) years, renewable for a period of every ten (10) years thereafter. The proprietor of the trade mark or service mark has the right to deal or assign, as well as to license its use.

As with patents, while local applicants may file applications on their own, foreign applicants will have to do so through registered trademark agents.

3. Industrial Designs

Industrial design protection in Malaysia is governed by the Industrial Designs Act 1996 and Industrial Designs Regulations 1999. The Act provides for the rights of registered industrial designs as that of a personal property capable of assignment and transmission by operation of the law.

To be eligible for registration, industrial designs must be new and do not include a method of construction or design that is dictated solely by function. In addition, the design of the article must not be dependent upon the appearance of another article of which it forms an integral part.

Local applicants can file registrations individually or through a registered industrial designs agent. However, foreign applicants will need to seek the services of a registered industrial designs agent. Registered industrial designs are protected for an initial period of five (5) years, which may be extended for four further consecutive terms of five (5) years, providing a total protection period of twenty five (25) years.

Malaysia has amended the Industrial Designs Act 1996, which entered into force on 1 July 2013. The amendments include worldwide novelty, an increased term of protection, introduced an IP Journal System, and provisions regarding monetisation and securitisation of industrial designs.

4. Copyrights

The Copyright Act 1987 provides comprehensive protection for copyrighted works. The Act outlines the nature of works eligible for copyright (which includes computer programmes), the scope of protection, and the manner in which the protection is accorded. Copyright subsists in every work eligible for copyright protection of which the author is a qualified person.

Copyright protection for literary, musical, or artistic works is for the duration of the life of the author and fifty (50) years after his death. In sound recordings, broadcasts, and films, copyright protection is for fifty (50) years after the works are first published or made.

The Act also provides protection for the performer's rights in a live performance, which shall continue to subsist for fifty (50) years from the beginning of the calendar year following the year in which the live performance was given or was fixed in a sound recording.

A unique feature of the Act is the inclusion of provisions for its enforcement. The amendment of the Copyright Act 1987, which came into force on 1 October 2003, confers power of arrest (including arrest without warrant) to enforcement officers of the Ministry of Domestic Trade and Consumer Affairs (MDTCA). This special team of MDTCA officers is appointed to enforce the Act, and is empowered to enter premises suspected of having infringing copies, and to search and seize infringing copies and contrivances.

The Copyright (Amendment) Act 2012 entered into force on 1 March 2012. The Act was amended to be in line with technological development, and to adhere to international IP conventions/ treaties relating to copyright and related rights. Amongst these major amendments are the introduction of a copyright voluntary notification system, the regulation of the collective management organisation (CMO), and the expansion of the Copyright Tribunal's function. Beginning from 2 February 2021, copyright owners may apply for voluntary notification online at https://iponline2u.myipo.gov.my.

5. Layout Designs of Integrated Circuits

The Layout Design of Integrated Circuits Act 2000 provides for the protection of layout designs of integrated circuits based on originality, the creator's own invention, and the fact that the creation is freely created. There is no registration for the layout design of an integrated circuit.

The duration of protection is ten (10) years from the date of its commercial exploitation, or fifteen (15) years from the date of creation if not commercially exploited. The Act also allows for action to be taken by the owner if such rights recognised under the Act have been infringed. The right can also be transferred either partly or wholly by way of assignment, licence, wills, or through the enforcement of law.

The Act is implemented in compliance with the TRIPS Agreement to provide a guarantee to investors in Malaysia's electronic industry, and to ensure the growth of technology in the country.

6. Geographical Indications

The Geographical Indications Act 2000 provides protection to goods following the name of the place where goods are produced, where a given quality, reputation, or other characteristic of the goods is essentially attributable to their geographical origin. This protection is applicable to goods such as natural or agricultural products, or any product of handicraft or industry. Geographical indications which are contrary to public order or morality shall not be protected under the Act.

Local applicants can file registrations individually or through a registered geographical indication agent. However, foreign applicants will need to seek the services of a registered geographical indication agent. The period of protection is ten (10) years, and is renewable for a period of every ten (10) years thereafter.

MyIPO also provides online search and filing services for patents, trademarks, industrial designs and geographical indications; and online search for notification of copyright works. For further information on intellectual property protection, please visit www.myipo.gov.my.

7. IP Valuation

Investors may elect to conduct valuations of their IP using local IP valuers, who have been trained via the Intellectual Property Valuation Training programme created with the cooperation of the World Trade Institute, University of Berne, Switzerland. Doing so will assist in reducing the cost and complexity of appointing foreign IP valuers to provide valuations for financing and lending purposes, thus making it more accessible to SMEs and IP owners in getting their IP valued. This in turn will contribute to the overall vibrancy of the ecosystem.

8. IP Financing

As part of the Government's overall strategy to improve and boost the competitiveness of local SMEs, MyIPO has been working with various stakeholders and key players in the industry, especially lenders and financial institutions, to expand their financial and loan products by providing financing based on SMEs' IP rights as part of the requisite collateral to secure their loans.

9. IP Rights Marketplace

As part of the overall thrust to strengthen the IP Ecosystem, ensuring healthy demand and supply of IP is critical to encourage continued investments in the creation of IP and other forms of know-how and intangible assets. MyIPO has developed and launched a pilot platform called the IP Rights Marketplace to improve access and visibility for IP owners who wish to license and sell their rights. This portal is created to counter the difficulties IP owners face in terms of making their IP known and gaining access to potential licensees and buyers. With this platform, MyIPO has entered into strategic partnerships with other IP marketplaces in Hong Kong, Singapore, and several regions in PRC to expand the reach of our local IP rights. More suitable marketplaces globally will be added to the network in the near future.

To know more about the IP Rights Marketplace and how you can participate, visit www.iprmarketplace.com.my.

10. IP Development Incentivisation

The objective of incentivising IP development is to encourage researchers to exploit IP through the licensing of patented knowledge, to encourage enterprises to invest in research and knowledge creation, and to support the exploitation of IP.

Apart from attracting companies to conduct R&D activities in Malaysia and facilitating the commercialisation of IP arising from local R&D, this will also anchor more post-R&D economic activities, thereby creating jobs and new products/services.

Companies that own the rights of qualifying IP assets and are receiving income from qualifying IP activities are eligible for full income tax exemption on qualifying IP income for a period of up to ten (10) years, subject to the guidelines on Modified Nexus Approach to ensure only income derived from IP developed in Malaysia is eligible for the incentive.

Where

- Qualifying IP assets' refers to patents or utility innovations under the Patents Act, 1983 [Act 291] or the equivalent law of any country or territory; copyrighted software under the Copyright Act 1987; or family qualifying IPs (two or more qualifying IPRs that are inter-linked in such a way that it is not possible to identify either which part of any expenditure incurred in the R&D resulting in the creation of those rights is incurred solely in the creation of a particular right, or which part of any income derived using those rights is derived solely from using a particular right).
- Qualifying IP income' refers to royalties and licensing fees.

Companies currently enjoying incentives under Section 34A/34B of the Income Tax Act are not eligible for this incentive.

Applications should be submitted to MIDA online via the InvestMalaysia Portal. For more information, visit the Forms and Guidelines section on MIDA website.

This incentive expires on 31 December 2022, and applications should be submitted to (and received by) MIDA on or before this date.

CHAPTER VIII: ENSURING ENVIRONMENTAL SUSTAINABILITY

To promote environmentally-sound and sustainable development, the Malaysian Government has established a legal and institutional framework for environmental protection. Investors are encouraged to consider environmental factors during the early stages of their project planning. Aspects of pollution control include possible modifications in the process line to minimise waste generation, seeing pollution prevention as part of the production process, and focussing on recycling options, including inculcating a self-regulation culture throughout the business.

Environmental protection is overseen by the Department of Environment under the Ministry of Environment and Water. Businesses should refer to Malaysia's DOE for more information on procedures and guidance on how to ensure that their projects are environmentally sound and sustainable.

DOE has published an investor guide on environmental requirements for various industrial development projects located at:

https://www.doe.gov.my/portalv1/wp-content/uploads/2010/12/A-Guide-For-Investors.pdf

1. POLICY

The National Policy on the Environment (DASN) has been established for continuous economic, social, and cultural progress, and enhancement of Malaysians' quality of life, through environmentally-sound and sustainable development. The objectives of DASN are to achieve:

- A clean, safe, healthy, and productive environment for present and future generations;
- Conservation of the country's unique and diverse cultural and natural heritage, with effective participation by all sectors of society; and
- Sustainable lifestyles and patterns of consumption and production.

There are eight principles listed under DASN to harmonise economic development goals with environmental imperatives:

- Stewardship of the Environment
- Conservation of Nature's Vitality and Diversity
- Continuous Improvement in the Quality of the Environment
- Sustainable Use of Natural Resources
- Integrated Decision-Making
- Role of the Private Sector
- Commitment and Accountability
- Active Participation in the International Community

DASN seeks to integrate environmental considerations into development activities, and in all related decision-making processes, to foster long-term economic growth and human development, as well as to protect and enhance the environment. It complements and enhances the environmental dimensions of other national policies, such as those on forestry and industry, and takes cognisance of international conventions on global concerns.

2. ENVIRONMENTAL REQUIREMENTS

The Environmental Quality Act 1974 and its accompanying regulations call for Environmental Impact Assessment (EIA), site suitability assessment, pollution control assessment, monitoring, and self-regulation in compliance. Industrial activities are required to obtain the following approvals from the Director-General of Environmental Quality prior to project implementation:-

- EIA for Prescribed Activities;
- Written notification to construct any facility to result in a new source of discharge of industrial effluent or mixed effluent and a new source of emission;
- Written Permission and Licence to construct, occupy, and operate prescribed premises and prescribed conveyances.

2.1 EIA for Prescribed Activities

An investor should first of all check whether an EIA is required for his proposed industrial activities. An EIA study normally forms a second-level approval necessary to obtain Project Approval under evaluation by the Project Approving Authority. The EIA Approval obtained for a project is then to be submitted to the Project Approving Authority via the One-Stop Centre (OSC), together with other approval requirements of related technical agencies. The following are activities prescribed under the Environmental Quality (Prescribed Activities) (Environmental Impact Assessment) Order 2015, which require an EIA.

FIRST SCHEDULE

1. Agriculture:

(a) Land development schemes covering an area of 20 hectares or more but less than 500 hectares to bring forest into agricultural production.

(b) Development of agricultural estates covering an area of 500 hectares or more involving changes in types of agricultural use.

2. Aerodrome:

Expansion of an aerodrome involving a runway of 1,000 metres or longer.

3. Drainage and Irrigation:

(a) Construction of man-made lakes and enlargement of artificial lakes with surface areas of 100 hectares or more.

(b) Irrigation schemes covering an area of 500 hectares or more.

4. Fisheries:

Land based aquaculture projects accompanied by clearing of mangrove forest, peat swamp forest or fresh water swamp forest covering an area of 20 hectares or more but less than 50 hectares.

5. Forestry:

(a) Conversion of forest at 300 meters or more above mean sea level to other land use covering an area of 20 hectares or more but less than 100 hectares.

(b) Logging, or cutting or taking of timber for the purpose of conversion from forest to other land use covering an area of 100 hectares or more but less than 500 hectares.

(c) Logging, or cutting or taking of timber from forest at less than 300 meters above mean sea level covering an area of 100 hectares or more, outside permanent reserved forest.

(d) Conversion of an area of —

(i) mangrove forest;

(ii) peat swamp forest; or

(iii) fresh water swamp forest

for industrial, housing or agricultural use covering an area of 20 hectares or more but less than 50 hectares.

(e) Development of planted forest covering an area of 100 hectares or more but less than 500 hectares.

6. Industry:

(a) Chemical:

Production capacity of each product or combined products of 100 tonnes or more per day.

(b) Cement:

Cement grinding plant with cement production capacity of 200 tonnes or more per day.

(c) Lime

Production of 100 tonnes or more per day of burnt lime using rotary kiln or 50 tonnes or more per day of burnt lime using vertical kiln.

(d) Petrochemicals:

Production capacity of each product or combined product or less than 50 tonnes per day.

(e) Shipyards:

Dead weight tonnage of 5,000 tonnes or more.

7. Land Reclamation:

Coastal reclamation or land reclamation along river banks involving an area of less than 50 hectares.

8. Mining:

(a) One processing outside mineral tenement area, including concentrating of aluminium, copper, gold, iron, tantalum or rare earth element.

(b) Sand mining on land or river or in coastal area or in territorial waters not exceeding 3 nautical miles measured from the low-water line, involving an area of 20 hectares or more.

(c) Sand mining in continental shelf area.

9. Petroleum:

(a) Development of —

(i) oil field;

(ii) gas field; or

(iii) oil and gas field.

(b) Construction of 30 kilometres or more in length of —

(i) off-shore pipelines;

(ii) on-shore pipelines; or

(iii) off-shore pipelines and on-shore pipelines.

(c) Construction of —

(i) oil separation, processing, handling and storage facilities;

(ii) gas separation, processing, handling and storage facilities; or

(iii) oil and gas separation, processing, handling and storage facilities.

(d) Construction of product depot for the storage of petrol, gas or diesel which has the combined storage capacity of 60,000 barrels or more (excluding service station) within 3 kilometres from any commercial, industrial or residential area.

10. Ports:

(a) Expansion of port involving an increase of 50 per cent or more in handling capacity per annum.

(b) Expansion of fishing port involving an increase of 50 per cent or more in fish landing capacity per annum.

11. Power Generation and Transmission:

(a) Construction of steam generated power station using fossil fuel (other than coal) and having the capacity of 10 megawatts or more, with or without transmission line.

(b) Construction of combined cycle power station, with or without transmission line.

(c) Construction of transmission line in environmentally sensitive area.

12. Development in Coastal and Hill Area:

(a) Construction of building or facilities with 80 rooms or more in coastal area.

(b) Construction of hill-station resort or hotel at 300 meters or more above mean sea level covering an area of 20 hectares or more.

13. Development in Slope Area:

Development or land clearing less than 50 per cent of an area with slope greater than or equal to 250 but less than 350.

14. Waste Treatment and Disposal:

(a) Scheduled waste:

(i) Construction of recovery plant (off-site).

(ii) Construction of wastewater treatment plant (off-site).

(iii) Construction of storage facility (off-site).

(b) Solid waste:

(i) Construction of composting plant.

(ii) Construction of recovery plant or recycling plant.

(c) Sewage:

(i) Construction of sewage treatment plant with 20,000 population equivalent or more.

(ii) Sludge treatment facilities.

15. Dredging:

(a) Capital dredging.

(b) Disposal of waste dredged materials

16. Housing:

Housing development covering an area of 50 hectares or more.

17. Industrial Estate Development:

Development of industrial estate covering an area of 20 hectares or more.

18. New Township:

Construction of new township consisting of 2,000 housing accommodation units or more or covering an area of 100 hectares or more.

19. Quarry:

Quarrying of rock material.

20. Road:

(a) Construction of expressway.

(b) Construction of highway.

(c) Construction of road, tunnel or bridge traversing or adjacent or near to environmentally sensitive areas.

21. **Water Supply:**

Groundwater development for industrial, agricultural or urban water supply of 4,500 cubic metres or more per day.

SECOND SCHEDULE

1. **Agriculture:**

(a) Land development schemes covering an area of 500 hectares or more to bring forest into agricultural production.

(b) New pig farming area of 2,000 or more standing pig population.

2. **Aerodrome:**

(a) Construction of a new aerodrome involving a runway of 1,000 metres or longer.

(b) Construction of aerodrome in or adjacent or near to any state park, national park, national marine park, island surrounding marine park or environmentally sensitive area.

3. **Drainage and Irrigation:**

(a) Construction of man-made lakes and artificial enlargement of lakes with surface areas of 50 hectares or more in or adjacent or near to environmentally sensitive area.

(b) Any drainage of wetland, wild-life habitat or of dry inland forest covering an area of 20 hectares or more.

4. **Fisheries:**

Land based aquaculture projects accompanied by clearing of mangrove forest, peat swamp forest or fresh water swamp forest covering an area of 50 hectares or more.

5. **Forestry:**

(a) Conversion of forest at 300 meters or more above mean sea level to other land use covering an area of 100 hectares or more.

(b) Logging or conversion of forest to other land use within —

(i) a catchment area of reservoirs used for municipal water supply, irrigation or hydro-power;

(ii) an area adjacent or near to any state park, national park or national marine park;

(iii) any state park, national park or national marine park; or

(iv) an area gazetted as water catchment forest under the National Forestry Act 1984 [Act 313].

(c) Logging or cutting or taking of timber from forest at 300 meters or more above mean sea level covering an area of 100 hectares or more, outside permanent reserved forest.

(d) Logging or cutting or taking of timber covering an area of 500 hectares or more.

(e) Development of planted forest covering an area of 500 hectares or more.

(f) Conversion of an area of —

(i) mangrove forest;

(ii) peat swamp forest; or

(iii) fresh water swamp forest;

for industrial, housing or agricultural use covering an area of 50 hectares or more.

(g) Clearing of mangrove forest, peat swamp forest or fresh water swamp forest on islands adjacent to any national marine park.

6. Industry:

(a) Non-ferrous:

(i) Primary smelting aluminium (all sizes).

(ii) Primary smelting copper (all sizes).

(iii) Primary smelting other non-ferrous (producing 50 tonnes product or more per day).

(b) Cement:

With clinker production capacity of 30 tonnes or more per hour.

(c) Iron and steel:

(i) Using iron ore as raw materials for production of 100 tonnes or more per day.

(ii) Using scrap iron as raw materials for production of 200 tonnes or more per day.

(d) Petrochemicals:

Production capacity of each product or combined product of 50 tonnes or more per day.

(e) Pulp, or pulp and paper:

Production capacity of 50 tonnes or more per day.

(f) Recycle paper industry:

Production capacity of 50 tonnes or more per day.

7. Land Reclamation

(a) Coastal reclamation or land reclamation along river banks involving an area of 50 hectares or more.

(b) Coastal reclamation or land reclamation along river banks within or adjacent or near to environmentally sensitive areas.

(c) Reclamation for man-made island.

8. Mining:

(a) Mining of minerals in new areas involving large scale operation.

(b) Mining of minerals within or adjacent or near to environmentally sensitive area.

9. Petroleum:

(a) Construction of oil refineries.

(b) Construction of gas refineries.

(c) Construction of oil and gas refineries.

10. Ports:

(a) Construction of a new port.

(b) Construction of a new fishing port.

11. Power Generation and Transmission:

(a) Construction of coal fired power station and having the capacity of 10 megawatts or more with or without transmission line.

(b) Construction of nuclear-fuel power station with or without transmission line.

12. Development in Coastal Area, National Park and State Park:

Development of tourist facilities, recreational facilities or other facilities –

(a) in any national park or state park; or

(b) on any island in surrounding waters which has been gazetted as a national marine park or marine reserve under the Fisheries Act 1985 [Act 317].

13. Development in Slope Area:

(a) Development or land clearing of 50 per cent or more of an area with slope greater than or equal to 250 but lesser than 350.

(b) Construction of road, tunnel or bridge traversing an area with slope greater than or equal to 350.

14. Waste Treatment and Disposal:

(a) Scheduled waste:

(i) Construction of thermal treatment plant.

(ii) Construction of off-site recovery plant for lead acid battery wastes.

(iii) Construction of off-site recovery plant or treatment facility that generates significant amount of wastewater which is located at the upstream of public water supply intake.

(iv) Construction of secure landfill facility.

(b) Solid waste:

(i) Construction of thermal treatment plant.

(ii) Construction of sanitary landfill facility.

(iii) Construction of transfer station.

15. Construction of Dam:

(a) Construction of dam or impounding reservoir for the purpose of irrigation, flood mitigation, control of siltation, recreational, water supply or any other reason with a surface area of 100 hectares or more.

(b) Dam and hydro-electric power scheme with either or both of the following:

(i) dam of 15 metres or more in height and ancillary structures covering a total area of 40 hectares or more;

(ii) reservoir with a surface area of 100 hectares or more.

16. Transportation:

(a) Construction of new routes or branch line for a mass rapid transport project.

(b) Construction of new railway route or railway branch lines.

17. Radioactive Materials and Radioactive Waste:

Any activity specified in this Schedule and the First Schedule using radioactive materials and generating radioactive waste.

Submission Stage of EIA Report:

i. Submission of TOR for endorsement (for activities that fall under Second Schedule)

ii. Submission of EIA Report for Approval (for activities that fall under First Schedule or Second Schedule)

Both documents must be prepared by a qualified person (Registered EIA Consultant with DOE) and shall be in accordance with the guidelines prescribed by the Director General of Environment and other relevant guidelines published by other agencies. The Environmental Impact Assessment Guideline in Malaysia, 2016 has been prepared to assist project proponents to understand the objectives of the EIA, procedures for carrying out EIA studies, and guidelines on preparation of EIA reports.

2.2 Site Suitability Assessment

Before an industrial project is planned, care must be taken in ensuring the proposed site location is suitable for its purpose, and any environmental concerns must be addressed by design and/or planning. Avoidance of conflict(s) through proper siting, and more importantly, with consideration of environmental controls and pollution prevention, is important for long-term sustainability of any industrial activity. This would help to reduce unnecessary investment costs that may be required, especially with regards to pollution control, and to improve public perception of the project or activity.

The Guidelines for the Siting and Zoning of Industries and Residential Areas (SZIRA) 2012 and the Environmental Essentials for the Siting of Industries in Malaysia (EESIM) 2017, published by DOE, serves as a guidance document for project developers when selecting a suitable site for the setting up of a manufacturing or industrial facility. Proposed industrial activity shall be sited within an industrial estate, and be developed and managed with environmentally-sound control measures. In considering the suitability of the proposed site, the site of interest is evaluated in terms of its compatibility with respect to the gazetted Structure and Local plans, surrounding land use, provision of set-backs or buffer zones set by PLANMalaysia (Jabatan Perancangan Bandar dan Desa), the capacity of the area to receive additional pollution load, and waste disposal requirements.

2.3 Written Notification or Permission to Construct

Any person intending to carry out activities as listed below must provide prior written notification to the Director-General of Environmental Quality:

i. Carry out any work on any premises or construct any building that may discharge or release industrial effluent or mixed effluent, or make or cause or permit a material change in the quantity or quality of discharge from an existing source, onto or into any soil, or into inland waters or Malaysian waters, other than premises as specified in the First Schedule under Environmental Quality (Industrial Effluent) Regulations, 2009.

ii. Discharge or release or permit the discharge of sewage onto or into any soil, or into any inland waters or Malaysian waters, other than any housing or commercial development or both having a population equivalent of less than one hundred and fifty (150) as specified under Environmental Quality (Sewage) Regulations, 2009.

iii. Carry out on any land any facility or building that may result in a new source of leachate discharge or release as specified under Environmental Quality (Control of Pollution from Solid Waste Transfer Station and Landfill) Regulations, 2009.

Any person intending to construct on any land or any building; or carrying out work that would cause the land or building to become prescribed premises (crude palm oil mills, raw natural rubber processing mills, and treatment and disposal facilities of scheduled wastes), as stipulated under Section 19 of the Environmental Quality Act, 1974 must obtain prior written permission from the Director-General of Environmental Quality.

Such application has to be accompanied by a prescribed fee.

2.4 Written Approval for Installation of Incinerator, Fuel Burning Equipment and Chimney

Applicants intending to carry out activities as listed below shall obtain prior written approval from the Director-General of Environmental Quality:

i. New installation near dwelling area as detailed out in Regulation 4 and First Schedule of the Environmental Quality (Clean Air) Regulations, 1978.

ii. Any erection (including incinerators), installation, resiting or alteration of fuel burning equipment that is rated to consume pulverised fuel or solid fuel at 30 kg or more per hour, or liquid or gaseous fuel at 15 kg or more per hour as stipulated in Regulations 36 and 38 of the Environmental Quality (Clean Air) Regulations, 1978.

iii. Any erection, installation, resiting, or alteration of any chimney from or through which air impurities may be emitted or discharged, respectively.

* *No fee is imposed on the application for written approval.*

2.5 Licence to Occupy Prescribed Premises and Prescribed Conveyances

A licence is required to occupy and operate prescribed premises, namely as below:

i. crude palm oil mills,

ii. raw natural rubber processing mills, and

iii. treatment and disposal facilities of scheduled wastes.

A licence is required to use prescribed conveyances as stipulated in the Environmental Quality (Prescribed Conveyance) (Scheduled Wastes) Order, 2005. Conveyance which is categorised as prescribed conveyance namely, any vehicle or ship of any description which is:

i. propelled by a mechanism contained within itself;

ii. constructed or adapted to be used on land or water; and

iii. used for the movement, transfer, placement or deposit of scheduled wastes.

Applications for the licence shall be made after obtaining written permission and/or written approval (as mentioned in 2.2 and 2.3). Licensing fees apply for every licence issued for palm oil and raw natural rubber processing mills and facilities for the treatment and disposal of scheduled wastes, and prescribed conveyances.

2.6 Gaseous Emission and Effluent Standards

Industries are required to comply with air emission, industrial effluent, sewage and leachate discharge standards which are regarded as acceptable conditions allowed in Malaysia, as stipulated in the Environmental Quality (Clean Air) Regulations, 1978, Environmental Quality (Industrial Effluents) Regulations, 2009, Environmental Quality (Sewage) Regulations, 2009 and Environmental Quality (Control of Pollution from Solid Waste Transfer Station and Landfill) Regulations, 2009.

2.7 Control on Ozone Depleting Substances

Ozone depleting substances (ODS) are categorised as environmentally hazardous substances under the Environmental Quality (Refrigerant Management) Regulations, 1999 and the Environmental Quality (Halon Management) Regulations, 1999. New investments relating to the use of these substances are prohibited.

2.8 Scheduled Wastes Management

Malaysia has developed a comprehensive set of legal provisions related to the management of toxic and hazardous wastes. The regulation is based on the cradle to grave principle. A facility which generates, stores, transports, treats or disposes scheduled wastes is subject to the following main regulations:

i. Environmental Quality (Scheduled Wastes) Regulations, 2005 (Amendment) 2007;

ii. Environmental Quality (Prescribed Conveyance) (Scheduled Wastes) Order, 2005;

iii. Environmental Quality (Prescribed Premises) (Scheduled Wastes Treatment and Disposal Facilities) (Amendment) Order, 2006;

iv. Environmental Quality (Prescribed Premises) (Scheduled Waste Treatment and Disposal Facilities) (Amendment) Regulations, 2006;

v. Customs (Prohibition of Exports) Order, 2008; and

vi. Customs (Prohibition of Imports) Order, 2008.

2.8.1 A Summary of Environmental Requirements on Scheduled Wastes

Environmental Quality (Scheduled Wastes) Regulations, 2005 replaced the Environmental Quality (Scheduled Wastes) Regulations, 1989. Under these regulations, 77 types of scheduled wastes listed in the First Schedule are divided into 5 categories, namely:

i. SW 1 Metal and metal-bearing wastes (10 types of scheduled wastes);
ii. SW 2 Wastes containing principally inorganic constituents which may contain metals and organic materials (7 types of scheduled wastes);
iii. SW 3 Wastes containing principally organic constituents which may contain metals and inorganic materials (27 types of scheduled wastes);
iv. SW 4 Wastes which may contain either inorganic or organic constituents (32 types of scheduled wastes); and
v. SW 5 Other wastes (1 type of scheduled waste).

Scheduled wastes can be stored, recovered or treated within the premises of the waste generators. Such activities do not require licensing by the Department of Environment. A waste generator may store scheduled wastes generated by him for 180 days or less after its generation provided that the quantity of scheduled wastes accumulated on site shall not exceed 20 metric tonnes. However, waste generators may apply to the Director General in writing to store more than 20 metric tonnes of scheduled wastes. The containers that are used to store scheduled wastes shall be clearly labelled with the date when the scheduled wastes are first generated as well as the name, address and telephone number of the waste generator.

Land farming, incineration, disposal and off-site facilities for recovery, storage and treatment can only be carried out at prescribed premises licensed by the Department of Environment. However, with the signing of the concession agreement between the Government of Malaysia and Kualiti Alam Sdn. Bhd on 18 December 1995 (fifteen (15) years concession period), all off-site treatment and disposal (incineration, wastewater treatment, storage and secure landfill) of scheduled wastes is not allowed.

On-site incineration of scheduled wastes is not encouraged. If it is deemed necessary, application for the installation of such incinerator must strictly adhere to the Guidelines On the Installation of On-site Incinerator for the Disposal of Scheduled Wastes in Malaysia" (published by the Department of Environment), including carrying out a detailed environmental impact assessment and display of the EIA report for public comments.

Waste generators may apply for special management of scheduled wastes to have the scheduled wastes generated from their particular facility or process excluded from being treated, disposed of or recovered in premises or facilities other than at the prescribed premises or on-site treatment or recovery facilities, as stipulated under Regulation 7(1), Environmental Quality (Scheduled Wastes) Regulations, 2005.

Further details and updates on environmental management requirements ca be obtained from the Department of Environment or visit www.doe.gov.my.

CHAPTER IX: CONNECTING YOUR BUSINESS TO INFRASTRUCTURE AND AMENITIES IN MALAYSIA

1. FREE ZONES

A Free Zone is an area in any part of Malaysia declared by the Minister of Finance under the provision of Section 3(1) of the Free Zones Act 1960 to be either a Free Commercial Zone or a Free Industrial Zone. It is mainly designed to promote entreport trade, and is specially established for manufacturing companies that produce or assemble products mainly for export.

The activities and industries in Free Zones are subject to minimal customs formalities as they are deemed under Section 2 (1A) of the Customs Act 1967 to be outside the Principle Customs Area. Prohibition of Imports and Exports under Section 31, Transit and Transhipment under Part IVA, Port Clearances under Part V, General Provisions Affecting Vessels in Territorial Waters under Part VI, and Manifests under Part VII of the Customs Act 1967 also apply to a free zone.

1.1 Free Commercial Zones (FCZs)

A FCZ is a free zone allocated for carrying out commercial activities which include trading (except retail trade), breaking bulk, grading, repacking, and relabelling. Retail trade is approved by the Minister of Finance under Section 6A of the Free Zones Act 1990 for certain free zones.

To date there are 23 FCZs that are located at North, South and West Port of Port Klang; Pulau Indah (Port Klang Free Zone-PKFZ); MILS Logistik Hub (MLH); Butterworth; Bayan Lepas; KLIA; Rantau Panjang; Pengkalan Kubor; Stulang Laut; Bukit Kayu Hitam; Tasik Kenyir; Port of Kuantan; Port of Pasir Gudang; and Port of Tanjung Pelepas.

1.2 Free Industrial Zones (FIZs)

Other than minimal customs formalities, FIZs enable export-oriented manufacturing companies to enjoy duty-free imports of raw materials, component parts, and machinery and equipment required directly in the manufacturing process, as well as minimal formalities in exporting their finish products.

To date there are 22 FIZs that are located at Pasir Gudang; Tanjung Pelepas; Batu Berendam; Tanjung Kling; Telok Panglima Garang; Pulau Indah (PKFZ); Sg. Way; Ulu Klang; Jelapang; Kinta; Bayan Lepas; Seberang Perai; and Sama Jaya.

Companies can be located within FIZs, if:

- Their entire production or not less than 80 per cent of their products are meant for export
- Their raw material/component are mainly imported. Nevertheless, the Government encourages FIZ companies to use local raw materials/components.

2. ELECTRICITY SUPPLY

Electricity supply in Malaysia is adequate and of high quality and reliability, comparable to other utilities in the region and globally.

The power supply to West Malaysia is provided by Tenaga Nasional Berhad, a national utility company, whereas in East Malaysia, i.e. Sabah and Sarawak, electricity is provided by Sabah Electricity Sendirian Berhad (SESB) and Sarawak Energy Berhad (SEB) respectively.

The power generation in Malaysia is mainly a mixture of thermal, gas, and hydro. The generation plants are owned by both the utilities and Independent Power Producers (IPPs). Renewable energy from solar, small hydro, biogas, and biomass are being promoted as part of the nation's green technology initiative.

At Kulim High Technology Park (KHTP), a ring formation electrical system, the most advanced of its kind in the region, ensures continuous uninterrupted power supply. This guaranteed, stable power supply meets the strict tolerances required by high-technology operations, reflecting the Government's thrust to promote such industries.

The transmission voltages in Malaysia are at 500 kV, 275 kV, and 132 kV, while the distribution voltages are at 33 kV, 11 kV, and 400/230 V.

For more information on electricity connectivity, regulations, and tariffs/rates, visit:

- Tenaga Nasional Berhad
- Sabah Electricity Sendirian Berhad
- Sarawak Energy Berhad

3. WATER SUPPLY

Water supply and related services in Peninsular Malaysia and the Federal Territory of Labuan is under the concurrent jurisdiction of the Federal Government of Malaysia and the various State Governments. In order to increase the quality of water services, particularly in protecting consumers' rights, two Federal legislative frameworks; namely, the Suruhanjaya Perkhidmatan Air Negara 2006 Act (Act 654) and Water Services Industry Act 2006 (Act 655), have been enforced since 2007 and 2008 respectively. Consumers in Peninsular Malaysia and the Federal Territory of Labuan enjoy continuous water supply which is reliable and safe. The Ministry of Health (MOH) carries out close monitoring and routine testing to ensure all water operators comply with the World Health Organisation (WHO) guidelines for drinking water quality. All domestic, commercial, and industrial users are metered. Water tariffs vary from state to state.

In East Malaysia, water supply is the responsibility of various government bodies and agencies. The Sabah State Water Department oversees the state's water supply, while in Sarawak, multiple bodies are responsible for overseeing the supply of water to their respective areas.

4. TELECOMMUNICATION SERVICES

Malaysia has a plethora of telecommunications providers (telcos) providing both fixed-line and mobile telecommunications that cover virtually the entire country. The industry is regulated by the Malaysian Communications and Multimedia Commission (MCMC).

The primary fixed-line telco in Malaysia is Telekom Malaysia Berhad, using the Unifi brand for retail and business users, and the TM ONE brand for enterprise and public-sector users. Telekom Malaysia Berhad provides voice and data services, with speeds of up to 10 Gbps. In addition, it also offers wireless coverage solutions and managed IT services, as well as mobile phone service via the Unifi Mobile brand.

For more information on telecommunications connectivity, regulations, and rates, visit:

- MCMC
- Telekom Malaysia Berhad

Aside from Unifi Mobile, Malaysia is also home to several other mobile phone service providers, including virtual mobile network operators. Most service providers provide both postpaid and prepaid mobile plans. It is compulsory for users of local SIMs to register themselves using the appropriate identity documents (e.g. passport or identity card).

Following the release of the Jalinan Digital Negara Plan (JENDELA), the major mobile network operators in Malaysia have announced that their existing 3G networks will be shut down by the end of 2021, requiring mobile phone users to ensure that their devices either support 4G/LTE or 2G (GSM).

The 5G network is scheduled to begin operation within the Klang Valley by the end of 2021.

Business travellers should contact their local mobile phone service providers for more information on international roaming coverage and rates while in Malaysia.

5. AIR CARGO FACILITIES

Malaysia's central position at the crossroads of Southeast Asia makes her particularly attractive as a transhipment centre. Air cargo facilities are well-developed, especially in the six international airports in Malaysia.

The highly-sophisticated Kuala Lumpur International Airport (KLIA) in Sepang, Selangor, has a current capacity of 70 million passengers and 2.9 million tonnes of cargo per year. In the future, KLIA's 10,000 hectares of land is planned to accommodate up to 140 million passengers and 5.4 million tonnes of cargo per year.

The other international airports are the Penang International Airport, Langkawi International Airport, and Senai International Airport in Peninsular Malaysia, Kota Kinabalu International Airport in Sabah, and Kuching International Airport in Sarawak.

MAB Kargo Sdn Bhd (MASkargo) is Malaysia Airlines' cargo arm and a subsidiary of the Malaysia Aviation Group. MASkargo operates as a cargo airline under the MH airline code, providing scheduled and chartered air cargo services to almost 100 destinations worldwide. MASkargo also functions as a cargo terminal operator, providing ground handling services via its 11 air cargo warehouses.

MASkargo operates its 108-acre main hub, the state-of-the-art Advanced Cargo Centre (ACC) at KLIA, within the FCZ in Sepang, Malaysia. This centre is capable of handling up to 1 million tonnes of cargo per annum, and features a secured and sophisticated security system coupled with the latest technologies, including semi-automated warehousing, ensuring real-time data tracking and smooth flow of communication. Among the facilities at the ACC are the Halal Logistics Zone (HAL Zone), the Mail and eCommerce Centre, the 6-star Animal Hotel, the one-stop Perishable Centre, and the world's first Priority Business Centre (PBC) for key forwarding agents.

Recently, the company has been certified with the IATA Secure Freight Programme, which aims to a secure supply chain program, strengthening cargo security. The company also has a product called I-Port, the world's first airport within a seaport trans-shipment service. This service allows fast handling of sea and air cargo shipment through KLIA from Port Klang. In addition, MASkargo also provides airport-to-airport trucking services in the country.

Air cargo services in Malaysia are complemented by Transmile Air which serves six domestic destinations in Sabah, Sarawak and peninsular Malaysia and 2 scheduled and international destinations namely, Hong Kong and Singapore. The domestic flights to Labuan and Bintulu in East Malaysia cater mainly to the oil and gas industry which requires special handling facilities. In addition to scheduled services, Transmile Air also provides air charter services to the ASEAN and Asia Pacific region and it has the capability to fly to India, the Middle East and China.

For further information on MASkargo, please visit the company's website at www.maskargo.com

6. SEA PORTS

Ports in Malaysia can be classified as federal ports and state ports. All federal ports are under the jurisdiction of the Ministry of Transport. At present, there are eight major federal ports; namely, Port Klang, Penang Port, Johor Port, Port of Tanjung Pelepas (PTP), Kuantan Port, Kemaman Port, Labuan Port, and Bintulu Port. All these federal ports are equipped with modern facilities. Bintulu Port is the only port which handles liquefied natural gas.

In tandem with the expansion of the economy and trade, ports in the country have registered impressive growth in recent years. Two of the ports – Port Klang and PTP – are ranked among the top 20 container ports in the world.

The Government's policy on ports focuses on:

- Being supply-driven, i.e., the provision of ample capacity in ports to ensure there is zero waiting time for ships.
- Enhancing the utilisation of ports through:
  - improving efficiency and productivity of port operations;
  - port privatisation;
  - development and improvement of ancillary services; and
  - development and improvement of land-side transportation.
- Load centring: Port Klang has been made the national load centre and the transhipment centre, while PTP has been recognised as a regional transhipment hub.

7. CARGO TRANSPORTATION

Various companies provide comprehensive containerised cargo transportation services in Malaysia. These include container haulage, freight forwarding, warehousing, bunkering, distribution related services, port and Customs clearance, and container repair, leasing, and maintenance.

Consignees and clients in Malaysia enjoy speedy, efficient, and reliable cargo transportation through a network of local branches and offices. Most companies also offer a good international network of agents.

7.1 Container Haulage

The Malaysian government regulates inland container haulage through the Land Public Transport Agency.

A total of 62 hauliers cater to varied cargo needs through a diversified fleet of trailers and prime movers, which also include modified vehicles. Some are equipped with modern tracking systems to enable contact with haulage vehicles on the road.

Numerous other medium and small-sized operators truck conventional cargoes to destinations throughout the country. Meanwhile, a block rail feeder service operates to specific destinations, and a freight liner service takes care of container deliveries to outstation clients.

This multi-modal (road and rail) transportation system assures prompt delivery of cargo.

7.2 Freight Forwarding

Hundreds of freight forwarding agents stationed throughout Malaysia offer nationwide freight forwarding services, while cargo bound for international destinations can be forwarded through various international freight forwarders.

Freight forwarders can also provide assistance to manufacturers in the processing of applications for required permits, licences, and duty/tax exemptions for the clearance of goods from the Customs authorities.

8. HIGHWAYS

The Malaysian Highway Authority supervises and executes the design, construction, regulation, operation, and maintenance of inter-urban highways in Malaysia. These comfortable expressways link all major townships and potential development areas, and have catalysed industrial growth by enabling efficient transportation.

The country's successful privatisation programme, coupled with its strong economic growth, has also induced more highway development projects in the last few years.

Today, the North-South Expressway together with the Penang Bridge, the Kuala Lumpur-Karak Highway, and East Coast Highway form the backbone of Malaysia's road infrastructure, contributing to the country's rapid socioeconomic development.

9. RAILWAY SERVICES

Keretapi Tanah Melayu Bhd (KTMB), which operates in Peninsular Malaysia, is wholly owned by the Malaysian Government. As the single largest transport organisation in the country, KTMB has the capacity to transport several classifications of goods, ranging from grains to machinery.

Its network runs the length and breadth of Peninsular Malaysia from the northern terminal in Padang Besar to Pasir Gudang, Johor in the south. The same northerly line serves wharves and port facilities in Penang.

For more information on other rail services in Malaysia, including passenger rail services, visit https://www.mot.gov.my/en/land/infrastructure/current-rail-services.

10. DIGITAL INFRASTRUCTURE

MSC Malaysia was established in 1996 by the Government of Malaysia to promote the development of the country's digital economy. The initiative started with a designated economic corridor aimed at attracting world-class companies to set up their operations in Malaysia. The MSC Malaysia Status is awarded to eligible local and foreign technology companies with a wide range of incentives, rights, and privileges from the Government to drive the digital economy forward. Over the past twenty five (25) years, MSC Malaysia continued to attract interest from various regional and global multi-national companies.

Moving forward, investment in the digital sector and emerging technologies will be key in realising Malaysia 5.0 as it gives greater shared prosperity for all citizens. Malaysia 5.0 directly addresses financial inclusion, access, performance, and growth through technologies that could decentralised authority and de-emphasise divisions along the lines of colour, creed, and country, such as financial technology, blockchain, and artificial intelligence.

With over 2,807 (as of March 2021) active companies and counting, the MSC Malaysia Status is a designation that is highly sought after by many local and foreign Information and Communications Technology (ICT) establishments in the country. Being recognised as an MSC Malaysia Status Company provides the company access to exclusive incentives that give them an essential edge in a hyper-competitive ICT industry.

10.1 Eligibility Criteria

- A company incorporated in Malaysia;
- Proposing to carry out one or more of the MSC Malaysia Promoted Activities and has not issued any invoice for such proposed activities in Malaysia on the date of application;
  - An applicant with at least 60 per cent Malaysian equity ownership may be eligible if it has issued invoices for such proposed activities in Malaysia not more than 12 months prior to the date of application.
  - Such applicant will need to maintain at least 60 per cent Malaysian equity ownership during the exemption period.
- NOT enjoying any income tax exemption in respect of any activity granted by the Government of Malaysia on the date of application.

10.2 MSC Malaysia Promoted Activities

Provision of services in relation to any of the following:

- Big Data Analytics (BDA);
- Artificial Intelligence (AI);
- Financial Technology (FinTech);
- Internet of Things (IOT);
- Cybersecurity (technology/software/design and support)
- Data centre and cloud (technology/software/design and support)
- Blockchain;
- Creative Media Technology;
- Sharing Economy Platform;
- User Interface and User Experience (UI/UX);
- Integrated Circuit (IC) design and Embedded software;
- 3D printing (technology/software/design and support);
- Robotics (technology/software/design);
- Autonomous (technology/software/design and support);
- Systems/network architecture design and support; or
- Global Business Services or Knowledge Process Outsourcing excluding non-technical and/or low low-value call centere; data entry; and recruitment process outsourcing.

Non-Qualifying Promoted Activities:

- Trading
- Manufacturing
- Provision of telecommunication services

10.3 MSC Malaysia Cybercities and Cybercentres

MSC Malaysia Cybercities and Cybercentres are designated MSC Malaysia areas with a conducive business environment that provides the ecosystem to attract ICT investors and promote the growth of local ICT companies, in which companies from the same sector are placed together to spur rapid growth.

These companies are housed within a conductive ecosystem to grow their businesses within the framework of Malaysia's developed digital economy vision. An environment fostering healthy competition will encourage innovation and development, while increasing competencies on national and regional levels.

As of March 2021, there are 69 MSC Malaysia Cybercities & Cybercentres:

KLANG VALLEY	
1. Cyberjaya	29. Technology Park Malaysia (TPM)
2. UPM-MTDC	30. Kuala Lumpur City Centre (KLCC)
3. KL Tower	31. KL Sentral
4. i-City	32. TM Cybercentre Complex
5. Mid Valley City	33 Bandar Utama
6. Bangsar South City	34. GTower
7. Symphony House	35. Quill 9
8. The Intermark	36. Wisma Hamzah Kwong Hing
9. Jaya 33	37. Puchong Financial and Corporate Centre (PFCC)
10. Menara Worldwide	38. Menara Binjai
11. Persoft Tower	39. Menara OBYU
12. Menara Maybank	40. UOA Damansara
13. Cap Square Tower	41. Sunway Resort City
14. Damansara Uptown	42. One City
15. Linde ROC	43. iHubSentulPark
16. Menara LGB	44. Putrajaya
17. Luxor Tech Centre	45. The Paradigm
18. Oasis Damansara	46. Menara Mesiniaga
19. UOA Business Park	47. Icon City
20. Plaza Hap Seng	48. Neo Damansara
21. APM Technology Centre	49. Menara KEN TTDI
22. Wisma E&C	50. Damansara City
23. JKG Tower	51. Nucleus Tower
24. Dataran Maybank	52. Symphony Square
25. Menara AIMS	53. K KYM Tower
26. The Exchange 106	54. Platinum Park
27. Sunway Velocity	55. Menara Prudential
28. IOI Resort City	

PENANG
1. Penang Cybercity 1 (PCC1)
2. Cypress (formerly known as Spansion)
3. One Precinct
4. Albukhary Building
5. Livingston Tower (formerly known as Menara Zurich)
6. GBS@Mayang

JOHOR
1. Menara MSC Cyberport
2. Iskandar Malaysia Studio
3. Medini

MELAKA
Melaka International Centre

KEDAH
Kulim Hi-Tech Park

PERAK
Meru Raya

PAHANG
Putra Square

SARAWAK
Town Square Bintulu

Malaysia, Heart of Digital ASEAN

The digital economy is expected to contribute significantly to the country's growth; an estimated 20 per cent contribution to GDP in 2020 by the Department of Statistics Malaysia, and a forecast of 6.7 per cent economic growth this year by the World Bank. To maintain an upward-growth trajectory, the Malaysia Digital Economy Corporation (MDEC) will continue to lead the digital economy forward by ensuring shared prosperity for the many, demonstrating Malaysia's ambition to be the heart of a 'Digital ASEAN'.

To establish this, MDEC will focus on its three strategic thrusts; namely, empowering digitally-skilled Malaysians, accelerating digitally-powered businesses, and attracting digital investments to ensure the society will be able to fully leverage and benefit from the Fourth Industrial Revolution technologies.

The Digital Investment Office (DIO)

The DIO coordinates, assesses, and evaluates digital investment projects, while providing end-to-end facilitation to investors. DIO will also put forward future-ready policies and guides on talent requirements and digital infrastructure networks, as well as address operational issues faced by businesses during the current pandemic and beyond.

At the centre of the DIO is the Malaysia, Heart of Digital ASEAN (MHODA) portal, a single platform to attract and facilitate digital investments into Malaysia. Through MHODA, the DIO can facilitate the transformation of new and existing economic clusters through digital enablers, high-income job creation, and digital upskilling of the local workforce and businesses. Investors will find it convenient to submit their investment interests through a single-entry point, easing entry and facilitation and enabling quality digital investment opportunities in line with the goals of MyDIGITAL.

More updates and information on digital infrastructure, facilities, and incentives can be found at MDEC's website:

What is MSC Malaysia?
https://mdec.my/what-we-offer/msc-malaysia/

What is Cybercity and Cybercentre?
https://mdec.my/what-we-offer/cybercities-cybercentres-digital-hubs/

The Digital Investment Office website.
https://mdec.my/dio/

Malaysia, Heart of Digital ASEAN
https://www.heartofdigitalasean.my

CHAPTER X: INTERNATIONAL TRADE AGREEMENTS

1. GENERAL AGREEMENT ON TRADE IN SERVICES (GATS)

The General Agreement on Trade in Services (GATS), which came into effect in 1995, is the first set of multilateral trade agreements covering international trade in services. The GATS is intended to contribute to trade expansion under conditions of transparency and progressive liberalisation, and as a means of promoting the economic growth of all trading partners and the development of developing countries.

GATS has three main parts: the main text with general principles and obligations; annexes with rules for specific sectors; and Member countries' specific commitments to provide access to their markets.

Key basic principles of GATS are:

- All services are covered by the GATS (except for services supplied in the exercise of governmental authority);
- Most favoured nation (MFN) treatment applies to all services under the GATS except for member country-specific exemptions:
- National treatment applies in the areas where commitments are made;
- Ensuring increased transparency and predictability of relevant rules and regulations;
- Providing a common framework of disciplines governing international transactions; and
- Promoting progressive liberalisation through further negotiations (successive rounds of negotiations)

The agreement applies four modes of supply through which services may be exchanged:

Mode 1: Cross-border supply is defined as covering services which flow from the territory of one country into the territory of another country (e.g. banking or design service transmitted via telecommunications).

Mode 2: Consumption abroad refers to situations where consumers make use of a service in another country (e.g. tourism).

Mode 3: Commercial presence refers to a situation where a company from one country sets up subsidiaries or branches to provide services in another country (e.g. a bank from one country setting up operations in another country).

Mode 4: Presence of natural persons consists of individuals travelling from their own country to supply services in another (e.g. accountants, doctors, trainers, construction workers).

2. TRADE IN SERVICES AGREEMENTS AND ARRANGEMENTS UNDER ASEAN

2.1 ASEAN Framework Agreement on Services (AFAS)

- The ASEAN Framework Agreement on Services (AFAS) provides the legal framework for ASEAN Member States to progressively liberalise the services sectors, recognising that intra-ASEAN services liberalisation will strengthen the trade and investment flows in the services sector and eventually contribute to the overall economic integration in the region. The AFAS was signed by the ASEAN Economic Ministers on 15 December 1995 in Bangkok, Thailand.

- Through the ASEAN Economic Community Blueprint (AEC Blueprint) adopted by the Leaders at the 13th ASEAN Summit on 20 November 2007 in Singapore, ASEAN has formalised and stepped up its effort to further liberalise towards the goal of free flow of services, according to the targets and thresholds laid out under the AEC Blueprint as well as additional parameters set forth by the Ministers.
- Liberalisation of AFAS under the ASEAN Economic Ministers (AEM) has concluded 10 Packages of Commitments. The final 10th AFAS Package was signed on 11 November 2018 in Singapore.
- In the 10th AFAS Package, Malaysia has made improvements to 47 sector/subsectors, especially to Mode 3 (commercial presence) with foreign equity between 30 per cent and up to 100 per cent, and committed to 114 sectors/subsectors for liberalisation. The liberalisation offered by Malaysia under the 10th AFAS Package includes the following:

1. **Business Services;**
   - Professional Services;
   - Computer and Related Services;
   - Research and Development Services;
   - Real Estate Services;
   - Rental/Leasing Services without Operator; and
   - Other Business Services
2. **Communications Services**
   - Courier services; and
   - Telecommunication Services
3. **Construction And Related Engineering Services;**
4. **Distribution Services;**
   - Commission agents' services;
   - Wholesale trade services;
   - Retailing Services; and
   - Franchising
5. **Education Services;**
   - Primary education services and General secondary education services (Covering international schools);
   - Technical and vocational secondary education services (Covering private education services); and
   - Adult education services

6. Environmental Services;

- Sewage Services;
- Refuse disposal services;
- Sanitation and similar services;
- Protection of Ambient Air Climate;
- Noise Abatement Services; and
- Nature and Landscape protection Services covering only contaminated soil clean-up and remediation

7. Healthcare Services;

- Specialised medical services;
- Dental Services;
- Veterinary services;
- Specialised Nursing Services;
- Private hospital services; and
- Other human health services

8. Tourism And Travel Related Services;

- Hotel and restaurant services;
- Food serving services;
- Travel Agencies and Tour Operators Services; and
- Tourist Guide Services

9. Recreational, Cultural And Sporting Services;

- Printed news supply services;
- Theme Park;
- Library Services; and
- Sports events management services

10. Transport Services;

- Maritime Transport Services;
- Supporting services for maritime transport;
- Rail Transport Services;
- Road transport services;
- Maritime Cargo Handling Services;
- Private bonded warehousing services;
- Maritime Freight Forwarding Services;
- Freight Brokerage Services; and
- Maritime agency services

11. Other Services;

- Skills training services

2.2 Movement of Natural Persons (MNP)

- Movement of Natural Persons is an integral part of every Package of Commitments made under the AFAS, until the AEM signed a stand-alone ASEAN Agreement on Movement of Natural Persons (ASEAN MNP Agreement) on 19 November 2012 in Phnom Penh, Cambodia and has entered into force on 14 June 2016.
- The key objectives of the ASEAN MNP Agreement are to:
    a. provide within the scope of this Agreement the rights and obligations additional to those set out in the AFAS and its Implementing Protocols in relation to the movement of natural persons between Member States;
    b. facilitate the movement of natural persons engaged in the conduct of trade in goods, trade in services and investment between Member States;
    c. establish streamlined and transparent procedures for applications for immigration formalities for the temporary entry or temporary stay of natural persons to whom this Agreement applies; and
    d. protect the integrity of Member States' borders and protect the domestic labour force and permanent employment in the territories of Member States.

2.3 Mutual Recognition Arrangement (MRA)

- Mutual Recognition Arrangements (MRAs) forms another important area of ASEAN cooperation on trade in services. MRAs are enabling tools to allow mutual recognition of qualifications (authorisation, licensing, or certification) of professional services suppliers by signatory ASEAN Member States to facilitate mobility of professional services providers in the region.
- At present, ASEAN has concluded seven MRAs in professional services signed by the AEM which are in various stages of implementation and follow-up initiatives. These are:
    - MRA on Engineering Services signed on 9 December 2005 in Kuala Lumpur, Malaysia;
    - MRA on Nursing Services signed on 8 December 2006 in Cebu, the Philippines;
    - MRA on Architectural Services and Framework Arrangement for the Mutual Recognition of Surveying Qualification both signed on 19 November 2007 in Singapore;
    - MRA on Medical Practitioner and MRA on Dental Practitioner both signed on 26 February 2009 in Cha-am, Thailand; and
    - MRA Framework on Accountancy Services signed on 26 February 2016 in Cha-am, Thailand, subsequently amended as MRA on Accountancy Services signed on 13 November 2014 in Nay Pyi Taw, Myanmar.
- There is also MRA on Tourism Professionals signed by the ASEAN Tourism Ministers on 9 November 2012 in Bangkok, Thailand.

2.4 ASEAN Qualification Reference Framework (AQRF)

- The ASEAN Qualifications Reference Framework (AQRF) is a common reference framework that enables comparisons of education qualifications across participating ASEAN Member States. AQRF consists of eight levels of complexity of learning outcome, based on knowledge and skills and application and responsibility. AQRF invites voluntary engagement from countries, and does not require changes to national qualification systems.
- Under the ASEAN Economic Community Blueprint 2025, it is aspired that the arrangements of MRAs, AQRF, and MNP aim to facilitate the temporary cross-border movement of natural persons and business visitors engaged in the conduct of the trade in goods, trade in services, and investment.

2.5 ASEAN Trade in Services Agreement (ATISA)

- In line with the AEC Blueprint 2025, which sets out the objective to further broaden and deepen services integration within ASEAN and to enhance ASEAN Member States competitiveness in services, the negotiation on ATISA has concluded in November 2018 and was fully signed by all ASEAN Member States (AMS) on 7 October 2020.
- The trade in the services sector will be further integrated through the implementation of the ATISA and continuing efforts to:
  - Review existing flexibilities, limitations, thresholds and carve-outs, as appropriate;
  - Enhance mechanisms to attract foreign direct investment (FDI) in the services sectors, including but not limited to foreign equity participation to support global value chain (GVC) activities;
  - Explore alternative approaches for further liberalisation of services;
  - Establish possible disciplines on domestic regulations to ensure competitiveness of the services sector, taking into consideration other non-economic or development or regulatory objectives;
  - Consider the development of sectoral annexes; and
  - Enhance technical cooperation in the services sector for human resource development (HRD), joint promotion activities to attract FDI in the services sector, and the exchange of best practices.
- The key objectives of the ATISA are to:
  - strengthen economic linkages and provide greater opportunities for economic development;
  - increase trade and investment in the area of services and create larger markets and greater economies of scale;
  - reduce barriers to trade and investment in services and create a predictable business environment;
  - strengthen economic relations between Member States through: promoting and facilitating utilisation of the greater opportunities provided by the Agreement; promoting regulatory cooperation developing cooperation in the field of human resource development; and increasing the participation of small and medium enterprises in trade and investment activities; and
  - narrow development gaps between Member States to achieve more equitable, balanced and sustainable socio-economic development.

3. FREE TRADE AGREEMENTS (FTAs)

International trade is an important contributor to Malaysia's economic growth and development. Malaysia's trade policy aims to create a more liberalising and fair global trading environment. While Malaysia is a firm believer of the rules-based multilateral trading system under the World Trade Organisation (WTO), Malaysia also accords priority to regional and bilateral trading arrangements that complement the multilateral approach to trade liberalisation.

Malaysia's objectives in negotiating FTAs are to:

- seek better market access conditions through preferential treatments;
- further facilitate and promote trade, investment and economic development;
- enhance the competitiveness of Malaysian exporters; and
- build capacity in specific targeted areas through economic and technical cooperation program.

Malaysia has signed 16 Free Trade Agreements (FTAs), and 14 of these have been implemented. The implemented FTAs are:

Bilateral FTAs

- Malaysia-Japan Economic Partnership Agreement (MJEPA)
- Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA)
- Malaysia-New Zealand Free Trade Agreement (MNZFTA)
- Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA)
- Malaysia-Chile Free Trade Agreement (MCFTA)
- Malaysia-Australia Free Trade Agreement (MAFTA)
- Malaysia-Turkey Free Trade Agreement (MTFTA)

Regional FTAs

- ASEAN Free Trade Area (AFTA)
- ASEAN-China Free Trade Agreement
- ASEAN-Republic of Korea Free Trade Agreement (AKFTA)
- ASEAN-Japan Comprehensive Economic Partnership (AJCEP)
- ASEAN-India Free Trade Agreement (AIFTA)
- ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA)

In addition, Malaysia is also a signatory to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Regional Comprehensive Economic Partnership (RCEP).

CPTPP

The Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP) was signed by Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Viet Nam on 8 March 2018 in Santiago, Chile.

The CPTPP has entered into force on 30 December 2018 for Australia, Canada, Japan, Mexico, New Zealand, and Singapore; and 14 January 2019 for Viet Nam. For Brunei Darussalam, Chile, Malaysia, and Peru, the CPTPP will enter into force once the necessary domestic ratification process has been completed.

The ratification of the CPTPP is work in progress for Malaysia. Consultations involving targeted stakeholders, such as State Governments, Ministries and Agencies, Non-Governmental Organisations, and Civil Society Organisations are ongoing.

RCEP

The RCEP, which was launched in November 2012, was signed on 15 November 2020 by 10 ASEAN Member States (AMS) and 5 ASEAN FTA Partners (AFPs, i.e. Australia, PRC, Japan, Republic of Korea, and New Zealand).

Currently, AMS and AFP are working towards ratifying the RCEP, which is expected to enter into force by the 4th quarter of 2022. The Agreement stipulates that at least six AMS and three AFPs would have to ratify the Agreement for it to enter into force.

SUMMARY OF COMMITMENTS IN TRADE IN SERVICES UNDER MALAYSIA'S BILATERAL FREE TRADE AGREEMENTS

COMPARISON MATRIX OF COMMITMENTS IN TRADE IN SERVICES					
	MJEPA (Malaysia-Japan)	**MPCEPA (Malaysia-Pakistan)**	**MNZFTA (Malaysia-New Zealand)**	**MICECA (Malaysia-India)**	**MAFTA (Malaysia-Australia)**
Malaysia's commitments	• Professional services: - Legal - Accounting, bookkeeping services - Taxation - Architectural services - Engineering services - Integrated engineering services - Medical specialty services • Computer related services • Research and development services • Rental/leasing services • Private hospital services • Other Business Services: - advertising services - market research services • Communication Services: - Courier - Basic telecommunications - Telegraph - Value added - Audio visual - Radio and television • Education Services • Financial Services • Construction and related engineering services • Tourism and related services • Recreational, culture and sporting services • Transport services • Skill training services	• Professional services: - Legal - Accounting, bookkeeping services - Taxation services - Engineering services - Integrated engineering services - Urban sector planning - Landscaping services - Medical specialty services • Computer related services • Database services • Research and development services • Rental and leasing services without operators • Other Business Services e.g. advertising services, management consulting services, market research, translation and interpretation services • Communication services: - Basic telecommunication - Data and message transmission services - Audio visual • Construction and related engineering services • Distribution services: - Wholesale services - Retailing services - Franchising services • Educational services • Financial services including insurance • Health and social services • Tourism and travel related services • Recreational, cultural and sporting services • Transport services	• Professional services: - Legal - Accounting, bookkeeping services - Architectural services - Engineering services - Integrated engineering services - Urban sector planning - Landscaping services • Computer related services • Research and development services • Rental/leasing services without operators • Other Business Services e.g. advertising services, management consulting services, human resource management consulting services, public relation services. • Communication services: - Basic telecommunication - Data and message transmission services - Audio visual • Construction and related engineering services • Education Services • Environmental services • Financial services including insurance • Healthcare services: - Medical specialty services - Veterinary services - Private hospital services • Tourism and related services • Recreational, culture and sporting services • Transport services • Other services e.g. skills training services	• Professional services - Legal - Accounting, bookkeeping services - Architectural services - Engineering services - Integrated engineering services - Urban sector planning - Landscaping services - Special medical services • Computer related services • Research and development services • Rental/leasing services without operators • Other Business Services e.g. advertising services, management consulting services, human resource management consulting services, public relation services. • Communication services: - Basic telecommunication - Data and message transmission services - Audio visual • Construction and related engineering services • Health related and social services • Tourism and travel related services • Recreational, cultural and sporting services • Transport services • Other services e.g. skills • training services	• Professional services: - Legal - Accounting,bookkeeping services - Taxation - Architectural services - Engineering services - Integrated engineering services - Urban sector planning - Landscaping services - Special medical services - Veterinary services • Computer related services • Research and development services • Rental/leasing services without operators • Other Business Services e.g. advertising services, management consulting services • Services incidental to mining • Communication Services: - Courier - Basic telecommunications - Telegraph - Value added - Audio visual - Radio and television • Construction and related engineering services • Education Services • Environmental services • Financial services including insurance • Healthcare services: - Private hospital services • Tourism and related services • Recreational, culture and sporting services • Transport services • Other services e.g. skills training services

COMPARISON MATRIX OF COMMITMENTS IN TRADE IN SERVICES					
	MJEPA (Malaysia-Japan)	**MPCEPA (Malaysia-Pakistan)**	**MNZFTA (Malaysia-New Zealand)**	**MICECA (Malaysia-India)**	**MAFTA (Malaysia-Australia)**
FTA partner's commitments	• Professional services: - Legal - Accounting, bookkeeping services - Taxation - Architectural services - Engineering services - Civil engineering consulting services - Urban planning and landscape architecture services - Medical and dental services - Veterinary services - Services supplied by midwives, nurses and paramedical personnel • Computer related services (excluding air transport services: computer reservation system) • Research and development services • Real estate services • Rental/leasing services without operators • Other business services e.g. advertising services, management consulting services and technical and testing and analysis for manufactured good and services incidental to agricultural, hunting, forestry and mining • Communication service: - Courier services - Telecommunication services - Audio visual services • Construction and related engineering services • Educational services • Environmental services • Financial services • Health related and social services • Tourism related services • Recreational, cultural and sporting services • Transport services	• Professional services - Legal - Accounting, bookkeeping services - Architectural services - Engineering services for building infrastructure - Integrated engineering services • Computer related services • Research and development • Rental and leasing services without operators • Other Business Services e.g. service incidental to agriculture and forestry (excluding fishing and hunting), mining • Communication services • Construction and related engineering services • Distribution services - Wholesale services - Retailing services - Franchising services • Educational services • Environmental services • Financial services • Health and related social services • Tourism and travel related services • Recreational, cultural and sporting services • Transport services	• Professional services - Legal - Accounting, bookkeeping services - Taxation - Architectural services - Engineering services - Integrated engineering services - Consultancy related to urban planning & landscape architecture - Veterinary services • Computer related services • Real estate services • Rental/leasing of equipment without crew • Other Business Services e.g. advertising services, management consulting services, service related to management consulting, service incidental to agriculture, hunting and forestry, animal husbandry, mining • Communication services - Basic telecommunication - Audio visual services - Construction and related engineering services • Distribution services - Commission agent services - Wholesale trade - Retail trade • Education Services • Environmental services • Financial services • Tourism and related services • Transport services • Other services	• Professional services - Accounting, bookkeeping services - Architectural services - Engineering services - Integrated engineering services - Urban planning landscape architecture - Medical and dental services - Veterinary services - Services supplied by midwives, nurses and paramedical personnel • Computer related services • Research and development services • Real estate services operators • Other Business Services e.g. management consulting service, service incidental to fishing, maintenance and repair of equipment, building cleaning services • Telecommunication services • Construction and related engineering services • Distribution services (excluding live animals) • Education services • Health related and social services • Tourism and travel related services • Transport services	• Professional services - Legal - Accounting, bookkeeping services - Taxation - Architectural services - Engineering services - Integrated engineering services - Urban sector planning and landscape architectural services - Dental services - Veterinary services • Computer related services • Research and development services • Real estate services • Rental/leasing services without operators • Other Business Services e.g. advertising services, management consulting services • Communication Services - Courier - Basic telecommunications - Telegraph • Construction and related engineering services • Distribution services • Education Services • Environmental services • Financial services • Healthcare related and social services • Tourism and travel related services • Recreational, culture and sporting services • Transport services

SUMMARY OF COMMITMENTS IN TRADE IN SERVICES UNDER MALAYSIA'S BILATERAL FREE TRADE AGREEMENTS

COMPARISON MATRIX OF COMMITMENTS IN TRADE IN SERVICES					
	MJEPA (Malaysia-Japan)	**MPCEPA (Malaysia-Pakistan)**	**MNZFTA (Malaysia-New Zealand)**	**MICECA (Malaysia-India)**	**MAFTA (Malaysia-Australia)**
Malaysia's Commitment	• Professional Services - Legal - Accounting, Auditing and Bookkeeping Service - Taxation Services - Architectural Services - Engineering Services - Integrated Engineering Services - Urban Planning - Services - Landscaping - Services - Specialised - Medical Services • Computer and Related Services • Research and Development Services • Rental/Leasing Services without Operators • Other Business Services • Management Consulting Services • Telecommunication Services - Basic Telecommunications - Value-Added Services - Audio-visual Services • Construction and Related Engineering Services • Education Services • Health Related and Social Services • Tourism and Travel Related Services • Recreational, Cultural and Sporting Services • Transport Services • Other Services - Skills Training Services	• Professional Services - Legal - Accounting, Auditing and Bookkeeping Services - Taxation Services - Architectural Services - Engineering Services - Integrated Engineering Services - Landscaping Services • Computer and Related Services • Research and Development Services • Rental/Leasing Services without Operators • Other Business Services - Advertising Services - Technical Testing and Analysis Services • Telecommunication Services - Basic Telecommunications • Construction and Related Engineering Services • Distribution Services - Wholesale and Retail Trade Businesses • Healthcare Services - Medical Specialty Services - Private Hospital Services • Education Services • Tourism and Travel Related Services • Recreational, Cultural and Sporting Services • Transport Services • Other Services - Skills Training Services • Financial Services, Including Insurance	• Professional Services - Legal - Accounting, Auditing and Bookkeeping Services - Taxation Services - Architectural Services - Engineering Services - Integrated Engineering Services - Urban Planning Services - Landscaping Services • Computer and Related Services • Research and Development Services • Rental/Leasing Services without Operators • Other Business Services - Advertising Services - Technical - Testing and Analysis • Telecommunication Services - Basic Telecommunications - Telegraph - Services - Audio-visual Services • Construction and Related Engineering Services • Education Services • Financial Services, including Insurance • Healthcare Services - Medical Specialty Services - Veterinary Services • Tourism and Travel Related Services • Recreational, Cultural and Sporting Services • Transport Services • Other Services - Skills Training Services	• Professional Services - Accounting, Auditing and Bookkeeping Services - Architectural Services - Engineering Services - Integrated Engineering Services - Urban Planning Services • Computer and Related Services • Research and Development Services • Rental/Leasing Services without Operators • Other Business Services - Market Research and Public - Opinion Polling Services - Technical Testing and Analysis Services - Technical Inspection Services - Operational Headquarters Services • Telecommunication Services - Basic Telecommunications - Value-Added Services • Audio-visual Services • Construction and Related Engineering Services • Education Services - Other Higher Education Services • Tourism and Travel Related Services • Transport Services • International Maritime Transport - Passenger Transportation - Freight Transportation - Maritime Freight Forwarding Services - Maritime Agency Services - Maintenance and Repairs of Sea- Going Vessels	• Professional Services - Legal Services - Accounting, Auditing and Bookkeeping Services - Taxation Services - Architectural Services - Engineering Services - Integrated Engineering Services - Urban Planning Services - Landscaping Services • Computer and Related Services • Other Business Services - Advertising Services - Management Consulting Services • Telecommunications Services - Basic telecommunication - Value Added Services • Audio-visual Services - Motion picture • Construction Work - Building Completion and finishing • Tourism and Travel Related Services • Recreational, cultural and sporting Services - Other Entertainment Services • Transport Services - Maritime Transport Services • Rental/Leasing Services - Supporting Services for maritime transport - Maritime agency services - Maritime freight forwarding services

Note:
Update and detailed information on commitments can be obtained from MITI's website: www.miti.gov.my

4. GENERAL AGREEMENT ON TRADE IN SERVICES (GATS), ASEAN FRAMEWORK AGREEMENT ON SERVICES (AFAS) AND FREE TRADE AGREEMENTS (FTAs)

Updates and information regarding the Schedule of Specific Commitments of GATS, AFAS, and FTAs are available from MITI's website at www.miti.gov.my

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