

ACCOUNTING, AUDITING AND TAXATION SERVICES





Introduction

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

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

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.

For the latest updates, please visit MIDA's website at www.mida.gov.my.

ACCOUNTING, AUDITING AND TAXATION SERVICES

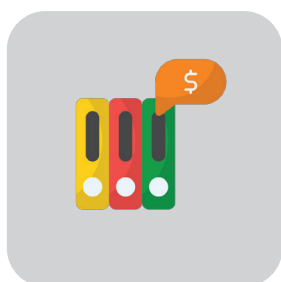
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ACCOUNTING, AUDITING AND TAXATION SERVICES

Accounting, auditing, and taxation services in Malaysia are largely regulated by the Malaysian Institute of Accountants (MIA), with accounting standards issued by the Malaysian Accounting Standards Board (MASB) in alignment with those set by the International Financial Reporting Standards (IFRS). Tax practitioners are regulated by the Chartered Tax Institute of Malaysia (CTIM).

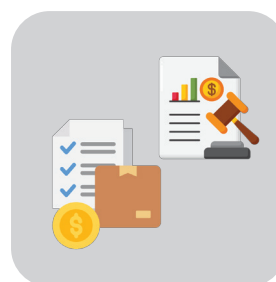
1. UNDERSTANDING THE SUB-SECTOR



**Recording of
commercial transactions
for business or others**



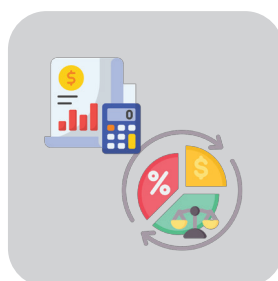
**Preparation of
financial accounts**



**Examination of
financial accounts**



**Certification of
financial accounts'
accuracy**



**Preparation of
personal and business
income tax returns**



**Related advisory activities
and representation (other
than legal representation)
on behalf of clients before
tax authorities**

Excludes:	
Business Activity	MSIC Code
• Data processing and tabulation activities	72300: Data processing services
• Management consultancy by units that do not provide accounting or auditing	74142: General management consultancy services
• Bill collection	74999: Other business activities

2. SETTING UP YOUR BUSINESS

Pursuant to the Accountants Act 1967, an accountancy practice (including auditing and tax consultancy) may be set up in two (2) ways:

- Business registration pursuant to Companies Act 2016; and
- Practice registration with the Malaysian Institute of Accountants (MIA).

Business registration is subject to the person holding a practising certificate issued by MIA and obtaining the related licence(s) from the relevant authorities, e.g. a tax licence to be obtained from Inland Revenue Board of Malaysia (LHDN).

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

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

2.1 Registration with Malaysian Institute of Accountants (MIA)

MIA is a body corporate that regulates the accountancy profession in Malaysia. By virtue of Section 22 of the Accountants Act 1967 and Rule 9 of the MIA (Membership and Council) Rules 2001, a person must hold a valid practising certificate issued by MIA in order to provide public practice services.

Foreign professionals in Malaysia may provide accounting and auditing services through a sole proprietorship or partnership, so long as they meet the requirements as specified under item 2.2.

The same rule applies to foreign suppliers of taxation services. Similar requirements for registration with MIA also apply to these foreign professionals.

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

Practising Certificate for Chartered Accountants	
Requirements	Conditions
<ul style="list-style-type: none"> The applicant must be an MIA member – Chartered Accountant The applicant must have attended the Public Practice Programme (PPP) organised by MIA. 	<ul style="list-style-type: none"> Member must commence public practice within 6 months from the date of issuance of the practising certificate on a full-time basis. If the member is unable to commence practice within this period, the practising certificate must be returned to MIA immediately upon the expiry of the period. The certificate will be renewed automatically on a year-to-year basis for a period of 12 months, each commencing on the 1st day of the following July, whereupon the annual practising certificate fee shall become due and payable. A member shall cease to be entitled to a practising certificate if he fails to pay the annual practising certificate fee by the last day of December in the year in which it becomes due and payable, unless the Council decides otherwise.

Audit Licence for Auditor

Requirements	Conditions
<p>The applicant must have a valid Practising Certificate;</p> <ul style="list-style-type: none"> The applicant must have five (5) years of cumulative full-time working experience, which can be either Pre- or Post-MIA membership, but: <ul style="list-style-type: none"> at least one year upon being a MIA member; at least three (3) years out of the five (5) years' experience must be in an audit practice; and at least one (1) year practice (out of the above three (3) years) in an audit supervisory role. Audit supervisory means overseeing, managing, and controlling audits consulting engagements, including preparing financial reports and audit planning. An applicant who has left the audit practice within a three (3)-year period prior to the application to be an approved company auditor remains eligible to apply. Applicants who have left the audit practice for more than three (3) years must work for at least one (1) year in an audit practice in the Malaysian environment. Experience in other countries can also be considered; however, the applicant must work full-time for at least one (1) year in an audit practice in the Malaysian environment. The application must be supported by a sponsor letter from an approved company auditor. 	<ul style="list-style-type: none"> Licence renewal is due every two (2) years. Applications for renewal must be made at least 3 months before the expiry date.

Liquidator Licence for Liquidator	
Requirements	Conditions
<ul style="list-style-type: none"> The applicant must be a Malaysian citizen or permanent resident. The applicant must be a member of a recognised professional body* under Section 433(5) on the Companies Act 2016 and hold a valid Practising Certificate. The applicant must not be a bankrupt and not have been convicted in the immediate past five (5) years, whether within or outside Malaysia, of any offence involving fraud or dishonesty relating to the promotion, formation, or management of anybody that is punishable on conviction with imprisonment for three (3) months or more. The applicant must possess five (5) years of full-time working experience in the field of liquidation An applicant who has left the liquidation practice within a three (3)-year period prior to the application to be an approved company liquidator remains eligible to apply. Applicants who have left the liquidation practice for more than three (3) years must work for at least one (1) year in insolvency in the Malaysian environment. Experience in other countries can also be considered, however, the applicant must work for at least one (1) year in liquidation in the Malaysian environment. The application must be supported by a sponsor letter from an approved liquidator who has supervised the applicant. Must have the capacity to carry out the duties of a liquidator. 	<ul style="list-style-type: none"> Licence renewal is due every two (2) years. Applications for renewal must be made at least 3 months before the expiry date.

* The Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants are the only recognised professional bodies under Section 433(5) of the Companies Act 2016

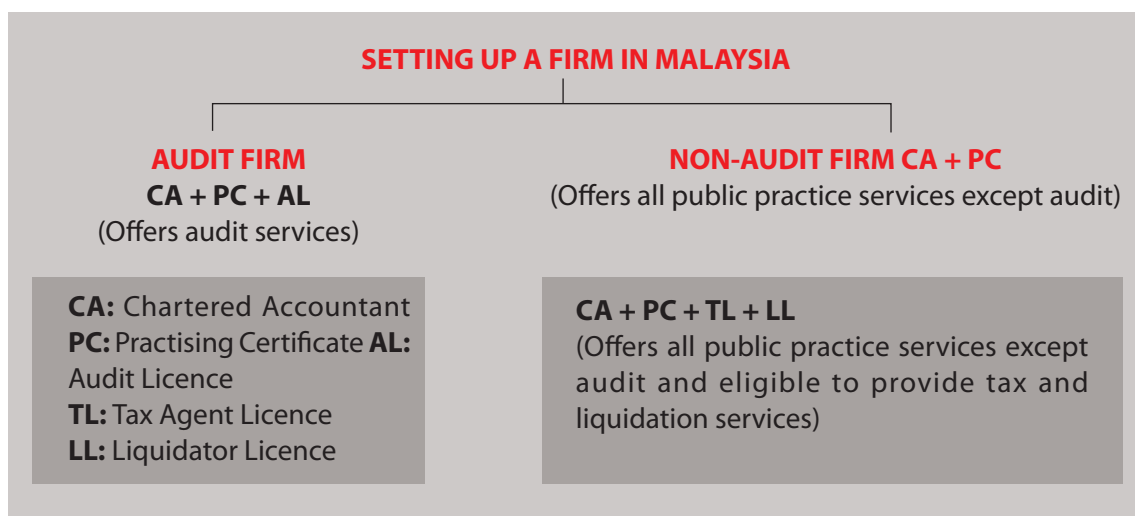
Tax Licence for Tax Agent	
Requirements	Conditions
<ul style="list-style-type: none"> The applicant must have obtained any of the qualifications and practical/working experience in the field of income tax with either the public or private sector as stated below: <ul style="list-style-type: none"> Membership of any accounting body recognised by the Malaysian Government as stated in Part II of the First Schedule of the Accountants Act, 1967, with five (5) years of practical experience (after becoming a member). Any academic qualification as stated in Part 1 of the First Schedule of the Accountants Act, 1967 with five (5) years of practical experience (after graduation). A first-class academic qualification in the field of business and economics from Institutasi Pengajian Tinggi Awam (IPTA) or Institutasi Pengajian Tinggi Swasta (IPTS) recognised by the Malaysian Government, with eight (8) years of practical experience (after graduation). An ex-IRB officer who has passed the Advanced Course examination organised by IRB with five (5) years' practical experience. An ex-IRB officer who has passed the Beginner Course examination organised by the IRB with ten (10) years of practical experience. An ex-IRB officer who has passed the Tax Agent Course conducted by the IRB under 'Skim Latihan Khas'. Membership of the Chartered Tax Institute of Malaysia (CTIM) with five (5) years of practical experience. 	<ul style="list-style-type: none"> Applications are submitted online through the Malaysian Government Tax Management and Information System at this link: https://mycukai.treasury.gov.my Licence renewal is due every three (3) years. Applications for renewal must be made at least 4 months before the expiry date.

- Membership of the Malaysian Institute of Chartered Secretaries and Administrator (MAICSA) with five (5) years of practical experience (after being a member).
- Membership of Malaysian Association of Company Secretaries (MACS) with a first-class academic qualification in the field of Law from IPTA or IPTS recognised by the Malaysian Government, and with five (5) years of practical experience (after graduation).
- The applicant must have attended the latest annual budget seminar organised by IRB/ Chartered Tax Institute of Malaysia (CTIM)/Malaysian Association of Tax Accountants (MATA).
- The applicant must have obtained 40 points of Continuing Professional Development (CPD)/Continuing Professional Education (CPE) within the most recent one (1) year.

Applications for audit liquidator licences will have to be submitted to Jabatan Akauntan Negara Malaysia online via <https://bless.gov.my/>, while tax agent licence applications have to be submitted to the Ministry of Finance (MOF).

Download Guidelines for Application/Renewal of Tax Agent Licence (only available in Bahasa Malaysia): https://mia.org.my/wp-content/uploads/2022/05/Panduan_Ejen_Cukai_Pendapatan_2019.pdf

2.2 Setting up a Practice in Malaysia



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

Types of Establishment	Requirements
Audit Firm	Sole proprietor or partners must be Chartered Accountants registered with MIA, with valid practising certificates and audit licences
Non-Audit Firm	Sole proprietor or partners must be Chartered Accountants registered with MIA with valid practising certificates
Branch Office (of either an Audit or a Non-Audit Firm)	Branch offices must be managed by members of MIA

Annual Returns

All firms registered with MIA are required to update their records with MIA by submitting annual returns on particulars of their firms and branch/branches (where applicable). It is mandatory to submit these annual returns to the Institute, as stated in the Section B200.9 (1) (d) and (2) of the Institute's By-Laws (On Professional Ethics, Conduct and Practice). Annual return submission has been available online since 2009, and submission on a yearly basis is required for all member firms.

Professional Indemnity Insurance

Every member in public practice shall comply with Section B210 (Professional Indemnity Insurance) of the Institute's By-Laws to ensure that his firm carries and maintains a policy of professional indemnity insurance, purchases policies from licenced insurance companies, and obtains a policy of professional indemnity insurance with a minimum coverage of RM250,000 upon commencement of public practice.

If a member in public practice carries on his practice under more than one (1) firm, he is required to have separate policies of professional indemnity insurance with a minimum coverage of RM250,000 for himself in each of the firms in which he practises.

2.3 Registration with Ministry of Finance (MOF)

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

Conditions that must be fulfilled for registration with MOF:

- Firm with accumulated/paid-up capital as follows:
 - Sole proprietorship - minimum of RM50,000
 - Partnership - minimum of RM50,000
 - Sdn. Bhd. - minimum of RM50,000
- The firm needs to have a legitimate office address, whether leased or its own property.
- The business premise is not allowed to use the address of an online office, P.O. Box, mailing box office services, or other premises where the traceability and capacity of the firm is difficult to be determined.

- The firm must have at least three staff members under permanent employment and contributing to the Employees Provident Fund (EPF), with the following composition:
 - one professional with at least one degree in a related field;
 - one semi-professional with at least a diploma in a related field; and
 - one clerk.
- The owner of the firm must be appointed as a full-time Director, and can be appointed as part of the professional staff or the management, but is not allowed to be appointed as a worker in the firm.
- The owner of the firm must have the necessary professional qualification in the field of expertise applied for, in accordance with the provision of the relevant laws and regulations, and is required to submit his relevant CV/work experience.
- The professional staff and the semi-professional staff are required to submit their first degrees or diplomas together with their relevant CVs/work experience.
- All equity/shareholders must have at least five (5) years of working experience in the field of expertise applied for after obtaining their first degree.
- The field of expertise submitted for registration with MOF must be consistent with the practising licence issued by the respective Professional Boards.
- The consulting firm needs to have an active current account.
- For professions whose ethics of service are governed by the Professional Boards, the equity/shareholders shall be registered with their respective Professional Boards. The field of expertise to be registered with MOF will be the expertise approved by the Professional Boards.
- For professions whose ethics of service are yet to be governed by the Professional Boards, the field of expertise to be registered with MOF will be based on the academic qualification and the working experiences of the owner.
- The consulting firm is required to submit its registration certificate with the Professional Board as compliance with the provisions of the Act of the Professional Board for purposes of carrying out consultancy services.

Application must be made through www.eperolehan.gov.my.

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

2.4 Business Licence

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

There are 155 local authorities in Malaysia responsible for approving business premise and signboard licences. The requirements for obtaining a business premise/signboard licence may vary from one local authority to another.

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

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

Audit and non-audit firms of Chartered Accountants under the Accountants Act, 1967 are exempted from premise licence requirements by the local council under Section 102 (s) of the Local Government Act and the Licensing of Trades, Businesses and Industries (Federal Territory of Kuala Lumpur) By-Laws 2016.

3. EQUITY POLICY

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

4. EMPLOYING EXPATRIATE PROFESSIONALS

Companies or firms providing accounting, auditing and taxation services in Malaysia may employ expatriates by submitting their applications for Employment Passes to the Immigration Department.

However, they must first apply for approval to employ expatriates from the Expatriate Committee of the Immigration Department prior to submitting the Employment Pass applications.

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

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

Spouses and children of expatriates can apply for Dependant Passes once the expatriates have been issued with the Employment Pass. The Dependant Passes may be applied for either together with the application for the Employment Pass or after the Employment Pass has been approved. Spouses and children of expatriates who enter the country on visit (temporary employment or professional) passes will be issued visit (social) passes.

Under GATS, supply of services through mode 4 (the movement of natural persons) is unbound except as specified in the horizontal section. Malaysia made a commitment for the categories of Intra Corporate Transferees, which covers Section 1(a) and Section 1(b), as well as Others, which covers specialists or experts under Section 2(a), professionals under Section 2(b), and business visitors under Section 2(c). Section 1(a) allows for senior managers, defined as being persons within an organisation having proprietary information of the organisation, and who exercise wide latitude in decision-making relating to the establishment, control, and operation of the organisation, being directly responsible to the CEO and receive only general supervision or direction from the board of directors or partners of the organisation.

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

Additional specialists or experts may be allowed, subject to a market test and the training of Malaysians through an acceptable training programme in the relevant services sector or sub-sector. Such persons must be employees of the foreign service supplier and who have been in employment of that foreign service supplier for a period of not less than one (1) year immediately preceding the date of their application for a work permit, and they are to serve in at least a similar capacity.

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

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

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

- not based within Malaysia,
- receiving no remuneration from a source located within Malaysia,
- have been employed for at least one (1) year by a foreign service supplier,
- whose entry and temporary stay is for the purpose of negotiating for the sale of services or entering into agreements to sell services for that service supplier, and who will not engage in direct sales to the general public.

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

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

5. 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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