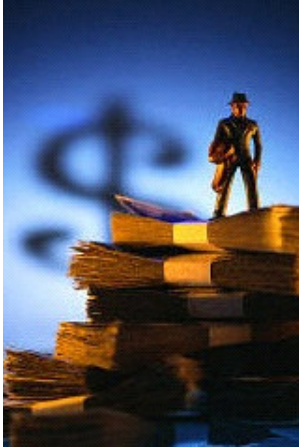




**DOING BUSINESS IN MALAYSIA**

- Economic Policies
- Foreign Exchange
- Regulation
- Financial Reporting
- Accounting and Auditing
- Tax



### **ECONOMIC POLICIES**

Foreign investments are an important factor in the growth of the country's economy. However, these must be compatible to the objectives of the National Development Plan.

The economic policies and strategies of the country are set out in the National Vision Policy. These are implemented through the Outline Perspective Plan (Third Outline Perspective Plan – 2001 – 2010). The current action plan is the Eighth Malaysia Plan (2001 - 2005).



### **FOREIGN EXCHANGE**

There are capital exchange controls on external accounts, trade settlements and currency. However, there are no restrictions on direct investment and repatriation of interest and dividends and capital.

The ringgit is not freely convertible and can only be transacted through authorised depository institutions within Malaysia. Current account transactions will continue to be convertible.

All settlements of exports and imports must be made in foreign currency. Withdrawals from external accounts require approval except for purchase of ringgit assets. Travellers are allowed to import or export ringgit currency of not more than RM1,000 per person. There are no limits on the import of foreign currencies. The export of foreign currencies by residents is permitted to a maximum of RM50,000 equivalent. The export of foreign currencies by non-residents is permitted up to the amount of foreign currency brought into Malaysia by the non-resident.

Residents are required to obtain approval before they can borrow in foreign currency of more than the equivalent of RM5 million from non-residents. Non resident controlled companies operating in Malaysia are required to obtain permission for credit facilities exceeding RM50 million.

# Doing business in Malaysia

---

## REGULATION

There is only a single set of regulation for Malaysians and foreigners doing business in Malaysia.

A foreign entity may carry out trade or services direct with any business entity in Malaysia. However, to carry on business in trade or services in Malaysia it has to be carried out through a registered business entity under the laws of Malaysia.

This can be achieved in many ways. However, for foreign investors the avenues opened to them is either through a corporation limited by shares incorporated under the Companies Act, 1965 or through a branch registered under the Companies Act, 1965. Corporations incorporated or registered pursuant to the Companies Act, 1965 have to comply with the requirements of the Companies Act, 1965 such as the regulation of the corporation, maintenance of registers and books of accounts, reporting, capital and distribution and incorporation and liquidation.

For Malaysians they are also able to carry on business through a sole proprietorship or a partnership registered under the Registration of Businesses Act, 1956.

Foreign entities may also set up a representative office if they do not intend to carry out business activities but would like to oversee their operations or investments or to gather market information in Malaysia.

Malaysian laws are governed by statutes and the other principal statute that all businesses have to comply with is the Income Tax Act, 1967. Most industries are well regulated and specific legislation applies to specific businesses. More information may be obtained from any of our member firms in Malaysia.

## FINANCIAL REPORTING

The Companies Act, 1965 requires that a corporation should prepare annual accounts and have it audited before tabling it at an annual general meeting of members for their approval at least once in each calendar year. The accounts should be prepared in accordance with the Companies Act, 1965 which includes the compliance with approved accounting standards. Accounts have also to be prepared for the Inland Revenue Board for the purpose of assessment to income tax.



### ACCOUNTING AND AUDITING

Malaysia uses International Accounting Standards and International Standards on Auditing as a basis for the setting of approved accounting standards and approved standards on auditing respectively.



### TAX

Malaysian taxation is based on the imputation system and is territorial.

Malaysia has signed Tax Treaties with over 45 countries.

The principal statute is the Income Tax Act, 1967 which governs the taxation of income. The income tax rate for corporation is 28% and for individuals is on graduated rates up to a maximum of 28%.

Tax is assessed on a current year basis and is on a self-assessment system.

Real Property Gains Tax is also assessable on realty related transactions and the rate of tax range between 5% to 30%.

There is also indirect tax legislation covering import duty and excise duty ranging from 5% to 300% and sales tax and service tax ranging from 5% to 10%.

Incentives and facilities are also available under the legislation.



**FOR MORE INFORMATION ON DOING BUSINESS IN MALAYSIA  
AND GETTING STARTED YOU SHOULD CONTACT OUR  
CORPORATE SERVICES DIRECTORS WHO WILL BE ABLE TO  
ADVISE YOU**