

The E-Book on East Asia Investment Practice

-Malaysia

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Preface

Malaysia is in the center of Southeast Asia. It guards the Strait of Malacca, and connects the maritime and onshore parts of ASEAN, with significant geographical advantages. As one of the diversified emerging industrial economies in Asia, Malaysia has relatively cheap labor force, complete infrastructure, stable political environment and an open market access mechanism, creating good business environment for investors from all over the world to carry out investment and business activities.

Chapter I of this E-book briefs on Malaysia's national features including geography, politics, society features and cultural environment, etc.; Chapter II introduces Malaysia's overall business environment; Chapter III gives an introduction about Malaysia's economy and trade policies; Chapter IV outlines Malaysia's industry development and foreign investment conditions; Chapter V gives an account of startup procedures and provisions in Malaysia; Chapter VI introduces relevant laws and regulations for business operation in Malaysia; Chapter VII introduces the ways and approaches for settlement of economic and trade disputes; Chapter VIII demonstrates multi-lateral and bilateral free trade agreements such as the Regional Comprehensive Economic Partnership; Chapter IX introduces Malaysia's economic security and support policies amid the COVID-19 pandemic; Chapter X includes enterprise-related government departments, chambers of commerce & associations, intermediary organs, and relevant contact info.

We hope that the basic information of Malaysia's economy and trade displayed in this E-book can provide valuable guidance for enterprises and investors, contributing to the investment facilitation and healthy development of economic globalization.

Time constrains and competence deficiency might lead to inaccuracies in this E-book. We sincerely look forward to your valuable comments and suggestions for future improvement.



General Information

1.1 Geography

Geographical Location

The Republic of Malaysia (hereinafter referred to as “Malaysia”) is in Southeastern Asia, and its territory is divided into east and west parts by the South China Sea. Peninsular Malaysia borders Thailand on the north, Singapore across the Strait of Johor to the south, the South China Sea to the east, and the Strait of Malacca to the west. East Malaysia is in the north of Kalimantan and is adjacent to Indonesia, the Philippines, and Brunei. The land area is about 330,000 km² (February 2021).

Natural Resources

Malaysia has a vast jungle and is rich in tropical hardwoods, with abundant oil reserves. At present, Malaysia ranks among the top of the world in terms of the output and export volume of rubber and rubber products, palm oil and relevant products, LNG and related products, and it is also a major producer of iron, gold, tungsten, coal, bauxite, manganese and other minerals.

Climate

Malaysia has a tropical rain forest climate with high temperature and rainfall throughout the

year. There are no clear seasonal distinctions. The dry season is from April to September (southwest monsoon season); the rainy season is from October to March of the following year (northeast monsoon season). The average annual rainfall is 2,000-2,500 mm, and the average temperature is 27 degrees Celsius.

Administrative Division

The country is divided into 13 states and 3 federal territories. Peninsular Malaysia has 11 states and 2 federal territories; East Malaysia has 2 states and 1 federal territory. The 3 federal territories are: Kuala Lumpur, which is the capital of the country; Putrajaya, the administrative center of the federal government; and Labuan, the offshore financial center. Other major cities in the country include: George Town (the capital of Penang State), Johor Bahru (the capital of Johor Bahru), Kuantan City (the capital of Pahang State) and Kuching (the capital of Sarawak).

The capital Kuala Lumpur is the largest city in Malaysia with a population of about 1.8 million (2018). It has a tropical rain forest climate with plenty of sunshine and rainfall through the year.

1.2 Politics

Constitution

The Constitution was first promulgated in 1957. Malaysia was established in 1963 and the Constitution was renamed as the *Malaysian Federal Constitution* in the same year and revised several times later. The Constitution stipulates that Malaysia is a democratic federal state with a constituent monarchy; the *Federal Constitution of Malaysia* establishes the basic structure of the national statutory legislative, judicial and administrative organs and Judicial Systems.

Parliament

As the highest legislative body in Malaysia, the Parliament is composed of the Senate and

the House of Representatives. The Senate has a total of 70 members with a term of 3 years and can be re-elected for 2 terms; the House of Representatives consists of 222 members with a term of 5 years and can be re-elected.

Chief of State

The chief of state of Malaysia is the head of the constitutional monarchy, the honorary commander-in-chief of the armed forces, the navy and the air force; with the supreme legislative, judicial and administrative powers and the power to appoint the prime minister and refuse to dissolve the parliament. It is assumed by 9 hereditary state sultans in turn for a term of 5 years and may not be reelected upon expiry of such term. The current head of state is Sultan AbdullahibniSultan Ahmad Shah, who took office in 2019.

Government

The Cabinet is led by the Prime Minister and is the highest administrative body in Malaysia. All cabinet members are members of the Parliament. The current prime minister, Tan Sri Dato Haji Muhyiddin, assumed office in 2020. The new government does not establish the post of deputy prime minister. Instead, 4 senior ministers share the responsibilities when the prime minister is absent. There are 46 government departments, including: Ministry of International Trade and Industry, Ministry of Finance, Ministry of Home Affairs, Ministry of Defense, Ministry of Foreign Affairs, Ministry of Domestic Trade and Consumer Affairs, Malaysian Communications and Multimedia Commission, and Ministry of Transport etc.

Political Parties

There are more than 40 registered political parties in Malaysia. From March 2020, the Perikatan Nasional (PN), which is formed temporarily by the United Alliance, United Malays National Organisation and Malaysian Islamic Party, serves as the ruling party. Other political parties mainly include: Malaysian Chinese Association (MCA), Malaysian Indian Congress

(MIC), People's Justice Party (PKR), Democratic Action Party (DAP), Parti Amanah Negara (PAN), etc.

1.3 Economy

Macro Economy^①

In recent years, Malaysia has continuously adjusted its industrial structure and vigorously developed an export-oriented economy. The average annual economic growth rate from 2016 to 2019 has remained above 4%. Affected by the COVID-19 pandemic in 2020, Malaysia's GDP in 2020 was RM 1,342 billion (about US\$ 326.5 billion), with a year-on-year decrease of 11.17%, and GDP per capita amounted to RM 40,989 (about US\$ 9,972).

With the gradual control of the country's epidemic situation, the Department of Statistics Malaysia (DOSM) issued an announcement stating that the nominal GDP growth rate in 2021 is expected to return to the level of 6.5-7.5%.

Table 1-1 Macro economy data of Malaysia, 2016–2020^②

Index	2016	2017	2018	2019	2020
Nominal GDP (RM Billion)	1,249.70	1,372.31	1,447.45	1,510.69	1,342.00
GDP Per Capita (RM)	40,726.92	44,118.59	45,909.17	47,283.35	40,989
Real GDP Growth Rate (%)	4.45	5.81	4.77	4.30	-5.60

Trade Scale^③

Commodity Trade. In 2020, the total goods trade volume was RM 1,777.17 billion, a year-on-year decrease of 3.65%, of which the exports amounted to RM 980.98 billion, a year-on-year decrease of 14.16%; the imports amounted to RM 796.19 billion, a year-on-year decrease of 6.27%; and the trade surplus was RM 184.79 billion.

① Department of Statistics Malaysia: www.dosm.gov.my.

② The World Bank: databank.worldbank.org/reports.aspx?source=2&type=metadata&series=NY.GDP.MKTP.
CD.

③ Department of Statistics Malaysia: www.dosm.gov.my.

The main exported goods are electrical equipment and apparatus, fossil fuel, electronic equipment, animal and vegetable fats, palm oil, wax, rubber and rubber products, etc.; the main imported goods are electrical and electronic products, chemical products, oil and gas products, mechanical equipment and parts, metal products, etc.

The main exporting countries are Singapore, China, the United States and Japan; and the main importing countries are China, Singapore and the United States, etc.

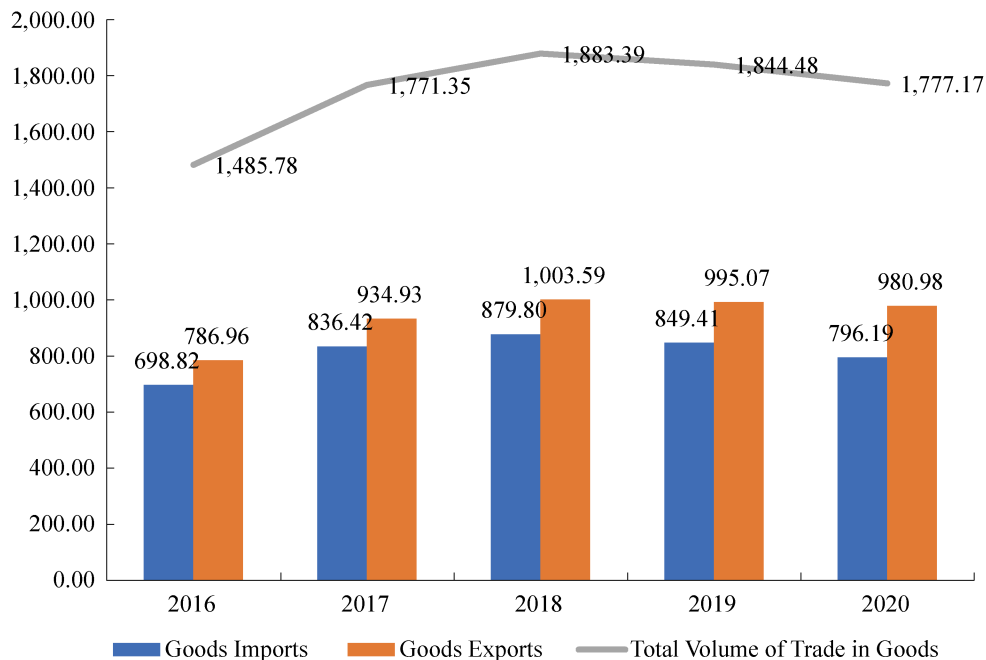


Fig.1-1 Malaysia trade in goods, 2016–2020 (Unit: billion RM)^①

Service Trade. In 2020, Malaysia’s service trade volume was RM 231.44 billion, a year-on-year decrease of 34.09%, of which the exports were RM 91.73 billion, a year-on-year decrease of 45.98%; the imports were RM 139.71 billion, a year-on-year decrease of 22.70%; and the trade deficit was RM 47.99 billion.

The main service export categories are tourism, transportation, computer and information services, and construction; the main import service categories are transportation, tourism, construction, communications, computers, and information services.

^① Department of Statistics Malaysia: www.dosm.gov.my.

The main export markets cover Singapore, the United States, China, Indonesia, and the United Kingdom; and the main import markets include Singapore, China, the United States, Japan, and the United Kingdom, etc.

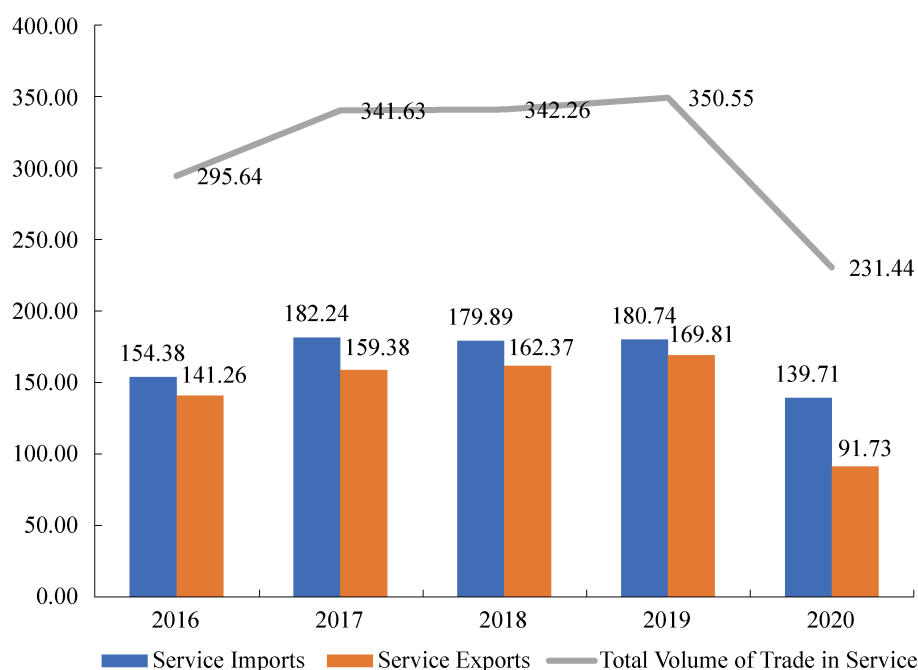


Fig.1-2 Malaysia's trade in service, 2016-2020 (Unit: billion RM)^①

Local Market

Total Sales Value.^② In 2020, the total operating income of Malaysia's wholesale and retail industry was RM 1,114.32 billion, a year-on-year decrease of 20.31%.

Consumption Expenditure^③ In 2019, the residents consumption expenditure per capita in Malaysia was RM 4,534 per month, of which the largest items of household consumption expenditure were as arranged follows by sequence: housing, water and electricity expenditure (23.6%), food and beverage (17.3%), catering and accommodation (13.9%), transportation (13.5%), and culture and recreation (5.1%).

Price Level. In 2020, Malaysia's consumer price index (CPI) rises by 1.1% year-on-year,

① Department of Statistics Malaysia: www.dosm.gov.my.

② The World Bank: www.databank.worldbank.org.

③ Department of Statistics Malaysia: www.dosm.gov.my.

with a slightly inflation.

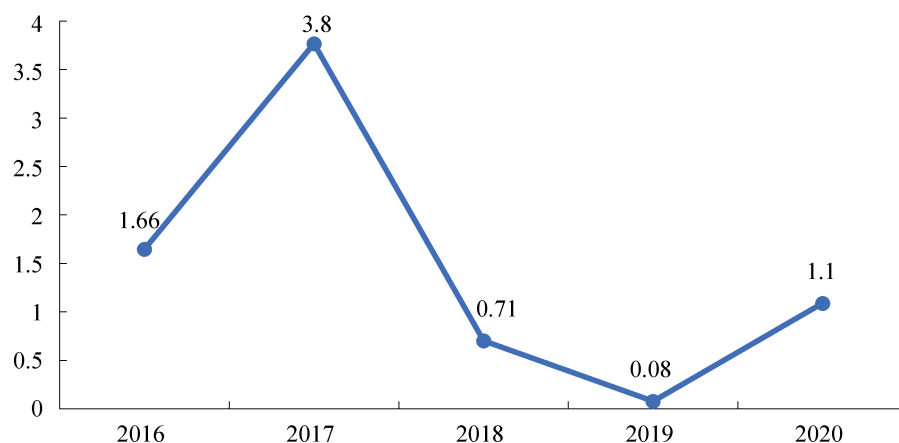


Fig.1-3 Malaysia's CPI, 2016–2020 (Unit: %)^①

1.4 Society and Culture

Population

The total population of Malaysia is about 32.75 million (as of March 2021)^②. There are 32 ethnic groups, of which Malays account for about 69.1%, Chinese (23%), Indians (6.9%) and other races about 1.0%.

Language

Malay is the official language of Malaysia, and English and Chinese are widely used.

Religion

The official religion in Malaysia is Islam, which is the main religion of the local Malays. Most Malay Muslims are Sunni. Most local Chinese believe in Buddhism and Taoism, and most Indians believe in Hinduism.

Festivals and Holidays

The normal working hours in Malaysia are 5 days a week, and at least 1 day a week must be

^① The World Bank: www.databank.worldbank.org.

^② Department of Statistics Malaysia: www.dosm.gov.my.

a rest day.

The 10 national holidays stipulated by the Malaysian government are New Year's Day, Mohammed's Birthday, Spring Festival (for Chinese), Labor Day, Vesak Day, Eid al-Fitr (Muslim), National Day (also known as "Independence Day"), Haji Festival (for Muslims), Hijri New Year's Day, and Christmas Day. A few festivals are of fixed dates, and most of the festival dates were announced by the Malaysian government in the previous year. In addition to national holidays, each state also has specific holidays.

Public Security

Malaysia's social security is relatively stable, apart from professionals. Individuals are not allowed to own guns.



Business Environment

2.1 Overall Evaluation

World Bank Evaluation^①

The Doing Business Report released by the World Bank examines the regulatory rules in 190 economies that promote or restrict the business life cycle in 11 areas. According to *Doing Business 2020*, Malaysia ranks 12th, up 3 places from 2019 and 12 places from 2018. Among them, it performed particularly well in the 3 areas of obtaining construction permits, obtaining electricity, and protecting minority investors, ranking 2rd, 4th, and 2rd respectively.

World Economic Forum Evaluation^②

The World Economic Forum has released the *Global Competitiveness Report* through evaluation on the performance of 141 economies in terms of 12 areas and 98 indexes. According to the *Global Competitiveness Report 2019*, Malaysia ranked 27th with a score of 74.6 points (an increase of 0.2 points from the previous year), second only to Singapore among the 10 ASEAN countries. In terms of sub-indexes, the relatively outstanding performance are infrastructure (35th), ICT adoption (33rd), goods market efficiency (20th), market size (24th), and business maturity (18th) and financial system (15th), etc.

① The World Bank, *Doing Business 2020*.

② The World Economic Forum, *Global Competitiveness Report 2019*.

World Intellectual Property Organization Evaluation^①

The Global Innovation Index Report issued by the World Intellectual Property Organization in conjunction with Cornell University in the United States and the European Institute of Business Administration evaluates more than 130 economies around the world with 2 indicators: innovation input and innovation output. According to the *Global Innovation Index Report 2020*, Malaysia ranked 33rd, only second to China among 37 middle-upper income economies. In terms of sub-indexes, Malaysia ranked 20th in the world in market maturity, 29th in human capital and research, 31st in business maturity, and 35th in creative output.

Heritage Foundation Evaluation^②

The *Global Economic Freedom Index Report* released by the American Heritage Foundation using 4 guidelines and 12 indicators calculates the economic freedom index of various countries. According to the *Global Economic Freedom Index Report 2021*, in 2021, Malaysia ranks 22nd in the world with a score of 74.4 points, an increase of 2 places from the previous year. Among the 10 ASEAN countries, it is only second to Singapore and is an economy with relatively high freedom.

2.2 Infrastructure

Highway

Malaysia has a relatively complete road network, and the main trunk lines run through the peninsula from north to south. Highways in Malaysia can be divided into 5 categories, namely: federal highways, state highways, municipal highways, expressways and other highways. As of the end of 2020, the total mileage of Malaysia's road network reached 144,403km, of which the total mileage of expressways was up to 1,821km.^③

① The World Intellectual Property Organization, Global Innovation Index 2020.

② The Heritage Foundation, 2021 Index of Economic Freedom World Rankings.

③ Global impression: www.zcqtz.com.

Railway

The Malaysian railway network is mainly located in Peninsular Malaysia, and the transportation system is mainly operated and managed by Keretapi Tanah Melayu Berhad (KTMB). The Peninsular Malaysia railway network runs through the peninsula from north to south, connects Thailand on the north and Singapore on the south. It is an important railway transportation hub in Southeast Asia. East Malaysia has 1 railway line, from Kota Kinabalu, the capital of Sabah, in the north, and Tenom, the inland town, in the south. As of the end of 2019, the total mileage of Malaysia's railway network was up to 1,799km.^①

Aviation

There is a total of 40 airports in Malaysia, including 8 international airports, namely Kuala Lumpur International Airport, Langkawi International Airport, Kuching International Airport, Penang International Airport, Kota Kinabalu International Airport, Malacca International Airport, Kuala Terengganu Sultan Mamud Airport and Johor Senai International Airport. Among them, Kuala Lumpur Airport is Malaysia's largest civil airport, and the country's main airline is Malaysia Airlines System (MAS).

Water Transport

In Malaysia, about 95% of the trade is completed by sea, and the scale of inland water transportation is relatively small. There are 23 main ports^② in the country, including 15 international ports, mainly including Port Klang, Johor Port, Port of Penang and Port of Tanjung Pelepas. The main shipping company is Malaysia International Shipping Corporate.

① ASEAN-Japan Transportation Partnership Information Center (AJTP Information Center):www.ajtpweb.org

② Ministry of Transport of Malaysia: www.mot.gov.my/en/maritime/infrastructure/code-of-ports.

Table 2-1 Major ports of Malaysia

Port	Overview	Businesses
Klang Port ^①	As Malaysia's largest port, it borders the Strait of Malacca and represents an ideal port of call for trade routes from the Far East to Europe and an important container transshipment center in Southeast Asia. Among them, West Port has a deep-water terminal that can dock the world largest tonnage cargo ship.	It is the country's main export port of timber, palm oil and rubber, also the port for exporting domestic steel, fertilizer, sugar, wheat, flour, rice, petroleum and chemical products, rubber and other industrial products.
Penang Port ^②	It is Malaysia's second largest port and famous entrepot trade port, known as a main material distribution center in northern Peninsular Malaysia.	Agricultural, forestry, and metal products traded with neighboring countries and regions such as Thailand and Indonesia are mostly re-exported; the main imported goods include food, transportation equipment and metal products.
Johor Port ^③	The total straight length of the port berth is about 2.4 kilometers, equipped with about 200,000 m ² of storage facilities.	Ports with bulk cargo transportation as their main business have the largest export scale of palm oil among all ports in the world. They mainly export timber, palm oil, rubber, soybeans, wheat, corn, etc.; and import fertilizers, silicates, liquefied gas and petroleum products, etc.

Information and Communication^④

At present, the Malaysian mobile phone network system has covered most of the country. The main mobile phone operators are Celcom, Maxis and DiGi. As of December 2020, the number of mobile broadband internet users in Malaysia is approximately 39.16 million, and the Internet penetration rate is 127.7%. In the country, the main telecommunication companies responsible for providing internet services are Telekom Malaysia (TM), Maxis, TIME and Celcom.

Electricity^⑤

Malaysia has ample power supply. The electric power of Peninsular Malaysia is mainly supplied by Public Service Corporation (PSC) (Tenaga Nasional Berhad or TNB), and that of East Malaysia is supplied by Sabah Electric Sdn. Bhd. (SESB) and Sarawak Energy Co., Ltd. At

① Port Klang Authority: www.pka.gov.my.

② Penang Port Authority: www.penangport.gov.my.

③ Johor Port Corporation: www.johorport.com.my.

④ Malaysia Communications and Multimedia Commission: www.mcmc.gov.my/en/make-a-complaint/make-a-complaint.

⑤ Suruhanjaya Tenaga Energy Commission (ST): www.st.gov.my.

present, Malaysia is dominated by natural gas power generation and it ranks second in coal power generation and third in hydropower power generation. The power plant is operated by PSC and Independent Power Producers (IPP). The transmission voltages in Malaysia are 500kV, 275kV and 132kV, and the distribution voltages are 33kV, 11kV and 400/230V.

In recent years, Malaysia has been committed to adjusting its energy structure and vigorously developing the photovoltaic industry. The Energy Commission of Malaysia predicts that the national solar power generation will reach 2,172MW by 2025. According to the *Master Plan on Malaysian Green Industry (2017–2030)*, it is planned that by 2025, the installed capacity of green energy will account for 23% of the total installed capacity of the country, and the total installed capacity of green energy will account for 30% of the total installed capacity in 2030.^①

2.3 Production Cost

Electricity Price

TNB is a major electricity producer and supplier in Peninsular Malaysia, and currently implements the electricity tariffs and charges that have taken effect in 2018.

Table 2-2 Malaysia's Electricity Tariffs (From Jan. 2018)^②

Types	Levels	Charging standard (Unit: cent/kwh)
Household	≤200kWh	21.80
	201-300 kWh	33.40
	301-600 kWh	51.60
	601-900 kWh	54.60
	>900kWh	57.10
	Minimum monthly expense: RM 3	
Commercial/Industrial	≤200 kWh	38.00
	>200 kWh	44.10
	Minimum monthly expense: RM 7.20	

Notes: Cent is the smallest currency measurement unit in Malaysia, 100 cents = RM 1.

① Malaysian Investment Development Authority (MIDA): www.mida.gov.my.

② Tenaga Nasional Berhad (TNB): www.tnb.com.my/residential/pricing-tariffs

Water Price

In Malaysia, state governments are responsible for the development, operation and management of tap water in their respective regions. The competent authorities responsible for water supply in each state are the public works department, water supply bureau and water supply companies. The current water price charging standards of each state are disclosed on the website of the local water supply company.

Table 2-3 Water charging standards in major regions of Malaysia in 2021

Types	Levels	Water price (Unit: RM)	
Selangor, Kuala Lumpur and Putra Jaya Federal Territory ^①			
Household	Minimum monthly expense: RM 6.00		
	≤ 20m ³	0.57/m ³	
	20-35m ³	1.03/m ³	
	> 35m ³	2.00/m ³	
Commercial/Industrial	Minimum monthly expense: RM 36.00		
	≤ 35m ³	2.07/m ³	
	> 35m ³	2.28/m ³	
Penang ^②			
Household	Minimum monthly expense: RM 2.50		
	≤ 20m ³	0.22/m ³	
	20-40m ³	0.46/ m ³	
	40-60m ³	0.68/m ³	
	60-200m ³	1.17/m ³	
Commercial/Industrial	Minimum monthly expense: RM 12.00		
	≤ 20m ³	0.85/m ³	
	20-40m ³	1.05/m ³	
	40-200m ³	1.30/m ³	
Commercial/Industrial	Minimum monthly expense: RM 12.00		
	> 200m ³	1.45/m ³	
	Johor ^③		
	Household	Minimum monthly expense: RM 7.00	
≤ 20m ³		0.80/m ³	

① Air Selangor, Malaysia: www2.airselangor.com.

② Perbadanan Bekalan Air (PBA): www.pba.com.my.

③ Suruhanjaya Tenaga Energy Commission (ST): www.ranhillssaj.com.my

Continued

Types	Levels	Water price (Unit: RM)
Household	20-35m ³	2.00/m ³
	>35m ³	3.00/m ³
Commercial/Industrial	Minimum monthly expense: RM 30.00	
	≤ 35m ³	2.80/m ³
	>35m ³	3.30/m ³

Gas Prices

Malaysia has abundant oil and natural gas reserves, which can meet domestic consumption and export needs. The retail prices of various types of fuel are disclosed on the website of the Ministry of Domestic Trade and Consumer Affairs.

Table 2-4 Malaysia's gas and fuel retail prices (Unit: RM)^①

Fuel (April 29-May 5, 2021)					
No. 95 unleaded gasoline	No. 97 unleaded gasoline	Diesel oil	Liquefied petroleum gas		
			10 kg	12 kg	14 kg
2.05/liter	2.58/liter	2.15/liter	19.00	22.80	26.60

Manpower Supply and Wages

The World Bank's statistics show that the total labor force in Malaysia at the end of 2020 was 15.90 million, an increase of 123,700 over the same period of the previous year, and the annual unemployment rate was 4.7%, a slight increase.

Malaysian *Labor Law* stipulated that, starting from January 2019, a minimum salary of RM 1,100 per month would be implemented nationwide. According to Salary Explorer's data, the average monthly salary in Malaysia in 2020 was RM 6,590, the lowest average salary was RM, and the highest average salary was 29,400 RM.^②

① Ministry of Domestic Trade and Consumer Affairs: www.kpdnhep.gov.my/en/.

② Salary Explorer: www.salaryexplorer.com.

Table 2-5 Employment data of Malaysia, 2018-2020^①

Items	2018	2019	2020
Total labor forces (Unit: 1,000)	15,523.4	15,780.7	15,904.4
Total employed population (Unit:1,000)	15,011.1	15,266.2	15,156.9
Total unemployment rate (%)	3.30	3.26	4.70

Land and Housing Price

Land Price.^② Land prices vary depending on the economic development and geographic location of different regions. The land prices of the economically developed Penang State are RM 18-65 per square foot (approximately US\$ 46.50-167.92/m²), and those of Selangor per square foot RM 8.5-70 (approximately US\$ 21.96-180.84/m²), and those of Johor RM 8-38 per square foot (approximately US\$ 20.67-98.17/m²). In addition, in the economically underdeveloped state of Terengganu, the land prices per square foot are about RM 2.0-60 (approximately US\$ 5.17-155.01/m²). In Malaysia, the government levies various amounts of land value-added tax and property tax on land users every year.

Office Rents.^③ Office rents are different in Malaysian cities and regions. In recent years, the monthly rent in Kuala Lumpur's urban area is RM 64.6-102.3/m² (approximately US\$ 20.2-32.0), and the economically developed Penang State has a monthly rent of RM 27-30/m² (approximately US\$ 8.4-9.4). The monthly rent in Selangor is RM 37.7-53.8/m² (about US\$ 11.8-16.8), and the monthly rent in the underdeveloped Terengganu state is RM 21.5-27.0/m² (about US\$ 6.7-8.4).

Table2-6 The average costs of apartment-style housing in the urban of Kuala Lumpur in 2020^④

Types	Average monthly costs of apartments in Kuala Lumpur	
	Unit: RM/m ²	Unit: US\$/m ²
One-bedroom	400-10,000	92-2,300
Two-bedroom	650-18,000	150-4,140
Three-bedroom	700-40,000	161-9,200

① World Bank: data.worldbank.org/country/MY.

② NUMBEO: www.numbeo.com/property-investment/country_result.jsp?country=Malaysia.

③ Malaysian Investment Development Authority (MIDA): www.mida.gov.my.

④ Malaysian Real Estate Information Network: www.propertyguru.com.my.

2.4 Financial Services

Currency and Exchange Rate

The currency of Malaysia is Ringgit Malaysia, also known as “Ringgit”. The country does not implement the foreign currency exchange control system, and the domestic currency can be freely exchanged for other foreign currencies. Malaysia implements a floating exchange rate system. In recent years, the exchange rate of the RM against the USD has been relatively stable. 1 RM is about US\$0.24 (refer to the 2020 exchange rate).



Fig.2-1 Exchange rate between RM and USD, 2016–2020 (average value in current year)^①

Foreign Exchange Management

Bank Negara Malaysia is the country’s foreign exchange administration as well as a government agency that issues currency and manages international foreign exchange reserves. Foreign investors registered in Malaysia can open foreign exchange accounts in local banks for payment in international business transactions. Malaysia implements relatively loose foreign exchange control measures. Foreign exchanges entering and leaving Malaysia need to be approved, but foreign exchange remittances out of Malaysia are not subject to special taxes. Foreign investors who carry more than US\$ 10,000 or other equivalent currencies out of the

^① Bank Negara Malaysia (BNM): www.bnm.gov.my/exchange-rates.

country must declare to the Royal Malaysian Customs Department in advance.

Table 2-7 Foreign Exchange Management Regulations for Foreign Investors in Malaysia^①

Category	Regulations
Opening a bank account	Foreign investors can open foreign currency or local currency accounts without any restrictions.
Purchasing assets denominated in RM	Foreign investors can invest in asset projects denominated in RM. The investment forms include direct investment or portfolio investment.
Financing	Foreign investors can obtain unrestricted loans denominated in any currency from domestic banks, and can also freely issue sukuk denominated in foreign currencies in Malaysia; Foreign investors can provide loans denominated in local currency to domestic licensed banks, resident enterprises or resident individuals without any restrictions.
Remitting income	Foreign investors are free to withdraw or remit income, profits, dividends, and any income derived from investment in Malaysia, provided that the incomes must be remitted in foreign currency.

Financial Institutions

Financial Regulators. Bank Negara Malaysia (BNM) is the regulator of the banking and insurance industry. The Securities Commission of Malaysia (SC) is the regulator of the securities industry.

Banks. There are 27 commercial banks and 18 Islamic banks in Malaysia in 2020. The main domestic commercial banks are: Malayan Banking Berhad (MBB), CIMB International Bank (CIMB), Public Bank (PBE), Hong Leong Bank (HLB), RHB Banking Group (RHB), etc.

Insurance. In 2020, Malaysia has 40 professional insurance companies, including 10 life insurance companies, 19 property insurance companies, 11 Islamic insurance companies; another 7 reinsurance companies, 5 Islamic reinsurance companies, 30 insurance brokerage companies and 36 insurance appraisal companies. The main insurance companies are: AXA Life Insurance Company (AXA), Prudential Insurance Company (PAMB), Great Eastern Insurance Company (Great Eastern).

^① Bank Negara Malaysia (BNM): www.bnm.gov.my/documents/20124/830447/zcp07_001.pdf.

Securities.^① Bursa Malaysia is the only stock exchange in Malaysia. The main market indexes are FTSE Bursa Malaysia Index and Bursa Indexes. The Malaysian securities market is mainly divided into Main Market and ACE Market. As of the end of 2020, there are more than 1,000 listed companies on the exchange.



Special Reminder:^②

The COVID-19 in 2020 has a greater impact on the Malaysian banking industry, which was mainly reflected in 2 aspects: First, due to the slowdown in gross domestic product (GDP) growth, the market demand for financial products of commercial banks decreased. At the same time, as Malaysian commercial banks did not provide online loan application services during the epidemic, the mandatory implementation of measures such as home isolation during the epidemic enabled residents to abide by the commercial loan business processing time of bank branches during the epidemic, reducing the time limit for bank loan applications. Second, as the Bank of Malaysia lowered the deposit interest rate in 2020, interest income from commercial banks shrunk significantly. After the outbreak of the epidemic, the central bank granted a six-month time limit for deferred repayment to individuals and small, medium and micro enterprise lenders, which further increased the cash liquidity risk of the banking industry.

S&P Global Rating predicts that by 2023, the asset quality of Malaysian commercial banks is expected to return to the level before the epidemic in 2020. According to the analysis by Moody's Investors Service, with Malaysia's competitive infrastructure, service industry and manufacturing industry, Malaysia's economic prospects will continue to maintain a good momentum of growth after the epidemic.

① Bursa Malaysia: www.bursamalaysia.com/trade/market/securities_market.

② New Straits Times, Malaysia: www.nst.com.my/business/2020/12/653188/malaysian-banks-rebound-strong-earnings-2021



Economy and Trade Policies

3.1 Market Access

Administrative Authorities

Currently, Malaysia does not set up an independent foreign investment management department. The Malaysian Investment Development Authority (MIDA) under the Ministry of International Trade and Industry (MITI) is responsible for foreign investment approval in the manufacturing sector; other industries' approvals is processed by the Economic Planning Unit (EPU), Ministry of Domestic Trade and Consumer Affairs (MDTCC), Ministry of Agriculture and Agro-Based Industry (DOA), Ministry of Transport (MOT) and other relevant departments.

Primary Hub/Regional Center^①

A foreign investor may be entitled to the following preferences enterprises if it registers and establishes a company in Malaysia (before December 31, 2022), regards Malaysia as its primary hub for regional or global business, is engaged in the operational management and supervision work (such as risk management, business planning) that support its key business activities, trade finance, human resources management, etc.), and the company has a paid-in share capital of RM 2.5 million or below and provides business services for at least 3 countries (regions) other than Malaysia:

① Pricewater house Coopers: taxsummaries.pwc.com/malaysia/corporate/tax-credits-and-incentives.

(1) A start-up can get a preferential corporate income tax rate (0-5%) for 5-10 years; and a non-start-up enterprise can receive a preferential corporate income tax rate (10%) for 5 years.

(2) There is no restriction on local equity/ownership shareholding percentage;

(3) Based on the company's business development needs and the employment regulations of foreign workers in Malaysia, the local government administrative authorities can flexibly approve the number of foreign workers in this type of enterprise;

(4) Companies engaged in the production of goods, or companies engaged in the production, integration and repackaging of products in a free trade zone before sales, can apply for exemption from their raw materials, parts, finished products and cargo container tariffs and related costs.

Restricted/Prohibited Sectors^①

Malaysia has fewer restrictions on foreign investment, generally allowing foreign investors to hold 100% of the equity investment ratio in new project investment, existing company expansion or other types of investment projects. However, the proportion of foreign ownership in certain industries or markets is restricted. The main industries involved include: financial services; capital market activities undertaken by investment banks; insurance (including takaful); wholesale and distribution trade (related to hypermarkets, food and catering businesses); petroleum; energy; transportation services, freight forwarding and shipping; communication and multimedia; water conservancy; education; third-party recruitment; security; professional services, etc. In addition, some industries have clearly stipulated the minimum ownership percentage for Bumiputera in Malaysia.



Special Reminder:

(1) Foreign investors must obtain prior approval from Bank Negara Malaysia (BNM) to engage in investment and M&A activities in the financial services sector.

① Malaysian Investment Development Authority (MIDA): www.mida.gov.my.

(2) For companies engaged in distribution trade, Malaysia clearly defines the lower limit of the proportion of indigenous people in the board of directors and management personnel at all levels of the company.

(3) For relevant restrictions on the cooperation model between foreign-funded enterprises and local enterprises, please consult the Malaysian Investment Development Authority (MIDA) or consult the foreign investment approval department of the relevant industry.

3.2 Foreign Investment Incentives

Malaysia has formulated a series of investment preferential policies, and domestic or foreign companies that meet the standards or engage in promotional activities can enjoy relevant preferential policies. In recent years, the Malaysian government has gradually shifted from providing “traditional fixed” foreign investment preferential policies to “tailor-made” preferential policies. The information listed in this section is only the main and general foreign preferential policies.

Pioneer Status or Investment Tax Allowance

Foreign-funded enterprises that participate in promotional activities or produce promotional products in specific industries or commercial fields are eligible to obtain Pioneer Status (PS) or investment tax allowance (ITA), and enjoy preferential policies for income tax relief or qualified capital expenditure tax offset. The main areas involved include: agriculture, manufacturing, integrated logistics and education.

Table 3-1 Major preferential measures for Malaysia’s pioneer status or investment tax allowance^①

Project types	Measures				
	Tax reduction and exemption		or	Tax offset	
	Standard exemption / reduced criteria	Period		Offsetting standard	Period
Including large-scale investment projects and national strategic projects in the high-tech field	70% or 100% of statutory income is exempt from income tax	5-10 years	or	100% of qualified capital expenditures can be used to offset 100% of statutory income for the tax year	5 years

① Pricewaterhouse Coopers (PWC): taxsummaries.pwc.com/malaysia/corporate/tax-credits-and-incentives.

Continued

Project types	Measures				
	Tax reduction and exemption		or	Tax offset	
	Standard exemption / reduced criteria	Period		Offsetting standard	Period
Start-up high-tech enterprises	70% or 100% of statutory income is exempt from income tax	5 years	or	60% of qualified capital expenditures can be used to offset 100% of statutory income for the tax year	5 years
Specialized machinery and equipment manufacturing enterprises	70% or 100% of statutory income is exempt from income tax	10 years	or	100% of qualified capital expenditures can be used to offset 100% of statutory income for the tax year	5 years
Reinvestment projects for heavy machinery, specialized machinery and production equipment by local companies	70% of statutory income is exempt from income tax	5 years	or	60% of qualified capital expenditures can be used to offset 70% of statutory income for the tax year	5 years
Companies that provide domestic technical and vocational training, private higher education institutions that provide qualified science courses	–	–	–	100% of qualified capital expenditures can be used to offset 70% of statutory income for the tax year	10 years
Start-up companies investing in oil palm biomass for the first time or existing companies reinvesting in oil palm biomass	70% or 100% of statutory income is exempt from income tax	10 years	or	100% of qualified capital expenditures can be used to offset 100% of statutory income for the tax year	5 years
Small and micro enterprises that meet specific requirements	70% or 100% of statutory income is exempt from income tax	5 years	or	60% of qualified capital expenditures can be used to offset 100% of statutory income for the tax year	5 years

Reinvestment Allowance^①

Reinvestment Allowance (RA) is mainly used for manufacturing and agriculture-related sectors. Among them, the application requirements for manufacturing enterprises are: the operating time is not less than 36 months, and the capital expenditure item applied for is the investment project of the factory, plant or machinery equipment related to the production of the product (such as capacity expansion, modernization or Automated reconstruction, etc.). For agricultural enterprises, the application requirements are: the company's operating period is not less than 36 months, and the capital expenditure item applied for is to be approved by the

① Malaysian Investment Development Authority (MIDA): www.mida.gov.my.

Machinery and Equipment Manufacturers Association (MEMA), the Farmers Association or the Fishermen Association. The main preferential measures are:

(1) Qualified capital expenditures incurred in the tax year will be entitled to 60% reinvestment allowance. This allowance can be used to offset 70%-100% of the statutory income in the tax year. The remaining qualified capital expenditures will be taxed according to regulations. The maximum subsidy period is 15 years.

(2) Special reinvestment allowance: Foreign-funded enterprises that have received the reinvestment allowance subsidy period in 2016–2018 and have expired can apply for 60% of their qualified capital expenditures to offset the statutory income in the tax year of 2020–2022.

Incentives to promote exports

Malaysia stipulates that for agricultural and manufacturing enterprises engaged in the export of agricultural products and finished products, 70% of their annual statutory income be entitled to income tax exemption.

Among them, the application requirements for manufacturing enterprises are: finished products have achieved more than 50% value-added; the company has successfully expanded new export markets; and the company has been awarded the certificate of excellent export products issued by the Malaysian Ministry of International Trade and Industry (MITI). The application requirements for agricultural-related enterprises are: they must be export enterprises engaged in fresh and dried fruits, fresh flowers and dried flowers, ornamental plants, ornamental fish, frozen raw shrimp or small shrimp, frozen cooked or shelled shrimp, and frozen raw cuttlefish and squid; agricultural products must have achieved more than 50% value-added; the company has successfully expanded into new export markets; and the company has been awarded the certificate of excellent export products issued by the Malaysian Ministry of International Trade and Industry.

3.3 Special Economic Zones

Malaysia’s Five Major Economic Corridors

In order to balance the economic development of various regions in the country, *the Tenth Malaysia Plan 2011–2015* issued by the Malaysian government in 2010 clearly proposed the implementation of 5 major economic corridors layout plans.^① The Malaysian government has set up development authorities (CDA) in each corridor, and each development authority formulated key development industries based on the actual conditions of each development zone (Table 3-3 for details).

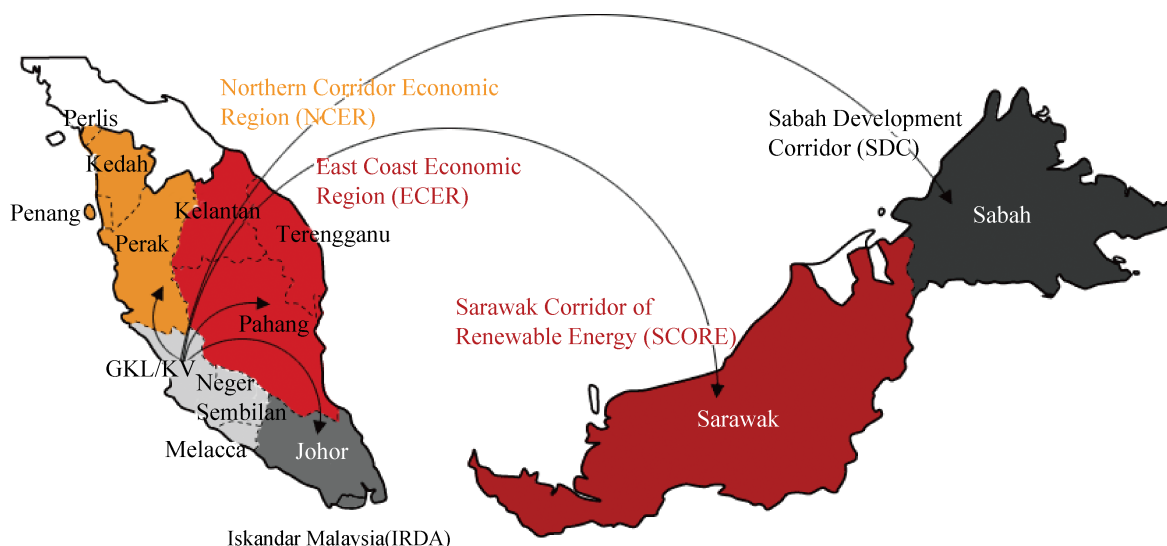


Fig.3-1 The distribution of Malaysia’s 5 major economic corridors^②

Table 3-2 Business focused on Malaysia’s 5 major economic corridors

Name	Overviews	Business development focuses in 2020–2025	Main project
Northern Corridor Economic Corridor ^③ (NCER)	It is in Perlis (State), Kedah, Penang and northern Perak in the northern part of the Malay Peninsula, covering an area of approximately 18,000 km ² .	a) Increasing the added value of production capacity in key economic sectors (agriculture, manufacturing, tourism, logistics, etc.); b) Promoting balanced regional development, formulating accelerated development plans in key economic areas, and focusing on promoting an investment service model led by the private sector and driven by market demand.	–

① The Prime Minister’s Office of Malaysia: www.pmo.gov.my/dokumenattached/RMK/RMK10_Eds.pdf.

② Invest KL: www.investkl.gov.my/Why_Greater_Kuala_Lumpur_-@-Gateway_to_Asia_and_Malaysia_6_Economic_Growth_Corridors.aspx.

③ Northern Economic Corridor: www.ncer.com.my.

Continued

Name	Overviews	Business development focuses in 2020–2025	Main project
East Coast Economic Zone ^① (ECER)	Located in the east coast of Kelantan, Terengganu, Pahang and Mersing in Johor, it covers an area of approximately 67,000 km ² .	a) Relying on the advantages of the Pahang Science Park Information Center, it has formulated the development plan of the Asia Center for Excellence in Smart (ACES) in the field of information and communication technology; b) According to the <i>Development Planning 2018-2025 (EMP2.0)</i> , with the focus on the development of intelligent network technology, it aims to improve the development of technology-intensive manufacturing.	Malaysia-China Kuantan Industrial Park, Pekan Automobile Manufacturing Park, Pahang Kuantan Integrated Industrial Park, Terengganu Kerteh Bio-polymerization Park and Kelantan Pasima Livestock Park, etc.
Iskandar Regional Development Authority ^② (IRDA)	Located in the southern state of the Malay Peninsula, Johor, it has a total area of approximately 2,200 m ² .	a) Urban construction: focusing on the construction of an urban ecological system with the theme of residential health; b) Environmental governance: based on the country's Green-Focused plan (2017-2030) and focusing on the development of green industries in the region; c) Wisdom pilot: To build a national-level city construction pilot with 6 themes of smart economy and smart environment.	Coastal Expressway, Eastern Dispersal Link, Legoland Malaysia, Puteri Harbour Family Theme Park, Newcastle University, University of Southampton, Marlborough College, etc.
Sabah Economic and Development and Investment Authority (SEDIA) ^③ (SDC)	Covering most of the Sabah State of East Malaysia, it has a total area of about 74,000 km ² .	a) Agriculture: To become a national agricultural product trade center and develop high-net-worth agricultural industrial clusters; b) Tourism: To develop supporting infrastructure for the tourism industry and build diversified tourism resorts; c) Logistics and warehousing industry: Relying on many ports in Sabah, it aims to improve port transportation efficiency and reduce transportation costs.	A total of 6 Strategic Development Areas (SDA) are planned, including: Bio-Triangle, Agricultural Ocean Belt, Inner Food Valley, Kinabalu Mountain, Brunei Gulf Comprehensive Development Area and Oil and Gas Park.
Sarawak Core Corridor of Renewable Energy ^④ (SCORE)	Located in the north-western part of Sarawak State, East Malaysia, it has a total area of about 100 thousand km ² .	a) By 2035, priority will be given to the development of agriculture and industry, including: aluminum, glass, palm oil, petroleum, fishery and aquaculture, tourism and other industries; b) Expand incentives for the private sector to participate in local public infrastructure construction projects.	-

Labuan International Business and Finance Center (Labuan IBFC)^⑤

Located on the coast of Borneo, Labuan Island is Malaysia's international business and

① East Coast Economic Zone (ECER): www.ecerdc.com.my/investment-opportunity.

② Iskandar Regional Development Authority (IRDA): www.irda.com.my.

③ Sabah Economic and Development and Investment Authority (SDC): www.sedia.com.my.

④ Sarawak Core Corridor of Renewable Energy (SCORE): www.recoda.com.my/score-areas/.

⑤ Labuan International Business and Finance Center (Labuan IBFC): www.labuanibfc.com/site.

financial center. It covers an area of approximately 92 km². The area focuses on financial insurance, trust and other capital market-related fields. Labuan International Financial Exchange (LFX) provides more convenient listing, trading and settlement financial instruments and related facilities for domestic and foreign investors in Malaysia, and can provide foreign investors with full-process financing services.

Entities registered in Labuan International Business and Finance Center (Labuan IBFC) can enjoy greater tax incentives. For example, Malaysian domestic or foreign companies that are engaged in trading activities in Labuan Island are subject to a tax of 3% of the audited net profit each year. Entities engaged in non-trading business on Labuan Island do not need to pay tax.

Malaysia Special Economic Zone

As of March 2021, Malaysia has more than 200 industrial parks and 43 free trade zones (including 22 free industrial zones and 21 free business zones).

Table 3-3 Types of special economic zones in Malaysia and main incentives^①

Types	Overview	Representatives	Incentives
Industrial park	There are mainly small industrial parks, halal industries, furniture, biotechnology and other types of industrial parks. As of March 2021, there are more than 200 industrial parks.	Lumut Industrial Park, Bayan Lepas Industrial Park, Batu Kawan Industrial Park, Kemaman Heavy Industrial Park, Sipitang Oil and Gas Industrial Park (SOGIP).	a) Exemption of import duties related to production and operation; b) The minimum customs procedures for handling procedures; c) Export manufacturing enterprises are exempted from tariffs on raw materials, parts, and mechanical equipment in the import process.
Free Commercial Zone	It mainly includes duty-free zones for commercial activities such as trading (except retail), bulk, and repackaging. As of March 2021, there are a total of 21 free business zones.	Port Klang Free Trade Zone, Miles Indah (MILS) logistics center, etc.	
Free Industrial Zone	It Integrates the manufacturing enterprises focusing on export processing. As of March 2021, there are a total of 22 free industrial zones.	Pasir Gudang, Tanjung Pelepas, Batu Berendam I&II, Tanjung Kling.	
Bonded warehouse	Integrate bonded warehouses in the park that are like those operating in the free industrial zone.	Malaysia Tech Park (Tech Park), Kulim High-tech Park, Sri Iskandar Tech Park, Selangor Science Park, Cyberjaya Park.	

① The Prime Minister's Office of Malaysia: www.malaysia.gov.my.

Continued

Types	Overview	Representatives	Incentives
Overseas Industrial Park	Industrial parks jointly funded by the governments of other friendly countries are convenient for foreign enterprises to invest in domestic projects.	Malaysia-China Kuantan Industrial Park (MCKIP)	
Halal Industrial Park	It is convenient for overseas investors to carry out various investment and business activities that require Malaysia's domestic or international halal certification.	Pedas Halal Industrial Park, Johor Halal Industrial Park, Gambang Halal Industrial Park, Pasir Mas Halal Industrial Park, Penang International Halal Industrial Park.	



Industrial Development

4.1 Development Planning

National Strategic Plans

Twelfth Malaysia Development Plan.^① In March 2021, the Malaysian government issued the *Twelfth Malaysia Development Plan (Twelfth Malaysia Plan 2021–2025)*, focusing on promoting economic growth, enhancing environmental sustainability, and strengthening infrastructure construction, which provided guidance on the impact of the Malaysian economy. According to the plan, the government will, in the future, focus on the development of high-net-worth industries such as aerospace, advanced electronics and electrical appliances, while further promoting the development of the country’s halal industry, creative industry, biomass industry and smart agriculture.

Shared Prosperity Vision 2030. In October 2019, the Malaysian government promulgated the *Shared Prosperity Vision 2030*, which clarified the national development goals and key plans for 2020–2030 (Table 4-1 for details).

Table 4-1 Key development goals in Malaysia’s *Shared Prosperity Vision 2030*^②

Category	Main targets
Related to the business & industrial ecosystem	a) The output scale of small, medium and micro enterprises will account for more than 50% of total GDP in 2030; b) Taking 2019 as the base year, by 2030, at least 30% of new high-tech small and micro enterprises will be added in the manufacturing and service sectors; at least 20% of high-tech enterprises will be incubated in various industries; and the rate of contribution to GDP by local small, medium and micro enterprises will be more than 20%.

① The Prime Minister’s Office of Malaysia: www.pmo.gov.my/the-malaysia-plan/.

② The Prime Minister’s Office of Malaysia: www.pmo.gov.my/2019/10/shared-prosperity-vision-2030-2/.

Continued

Category	Main targets
Related to economic growth	a) Further enhance the contribution of high-tech enterprises in the manufacturing and service industries; b) Establish 15 key action plans related to economic growth: Islamic Financial Center 2.0; Malaysia E-commerce 2.0; Renewable Energy; Building a Regional Center of Excellence; Developing a Green Economy; Building an ASEAN Regional Center; Developing a Digital Economy; Malaysian Industrial Revolution 4.0; Develop the content consumption industry; create a halal industry hub; promote the sustainable development of the logistics and transportation industry; develop the marine economy; promote the intelligentization and high net worth of the agricultural industry; develop the modern service industry; and create the “fascination of Asia” in the tourism industry.
Related to human resources	a) The scale of high-tech labor in various industries will account for more than 35% of the total labor forces by 2030; b) Citizens of the country will occupy the dominant position in various types of sunrise industries; c) Increase the proportion of national citizens in the management and professional fields of multinational enterprises.
Related to social welfare	a) Construct medical rehabilitation centers in various regions of the country; b) Establish a more equitable medical reimbursement measurement system.
Related to the social environment	Coordinate local ethnic and religious cultural relations, improve the level of climate and environmental governance, etc.

Development plan for each region in 2020–2030

Based on the *Shared Prosperity Vision 2030* and combined with the industrial development advantages of each state in Malaysia, the government has formulated the development priorities of each region from 2020 to 2030.

Table 4-2 Malaysia’s State Industrial Development Plan in 2020–2030^①

Areas	Key development industries
Perlis	Cross-border logistics, eco-tourism, high-net-worth agribusiness, renewable energy industry, etc.
Pulau Pinang	Logistics hubs, high-tech industries, medical tourism, cultural heritage tourism, building regional centers of excellence, etc.
Perak	Eco-tourism and cultural heritage tourism, technological transformation of fishery and animal husbandry, creative industry economic hub, etc.
Selangor	Manufacturing and automobile industries, industry 4.0 centers and high-tech industrial parks, logistics, port transportation, digital economy and related disruptive technologies, smart agriculture, etc.
Kuala Lumpur	Asian tourism center, regional financial center, Islamic financial center 2.0, etc.
Putrajaya	National Administration Center, International Diplomacy Center, etc.
Negeri Sembilan	Eco-tourism and cultural heritage tourism, Malaysia Vision Valley, smart agriculture, etc.

① The Prime Minister’s Office of Malaysia: www.pmo.gov.my/2019/10/shared-prosperity-vision-2030-2.

Continued

Areas	Key development areas
Melaka	Ecotourism and cultural heritage tourism, Islamic financial centers, smart cities, etc.
Kedah	Cross-border logistics, eco-tourism and cultural heritage tourism, modernization of agriculture and animal husbandry, aerospace industry, etc.
Kelantan	Cross-border logistics, rural manufacturing, eco-tourism and cultural heritage tourism, agriculture, etc.
Terengganu	Commodity economy, seaside tourism, fishery, continuing education center, petroleum processing industry, etc.
Pahang	Eco-tourism, commodity economy, modern mining industry, logistics and transportation hub, technical agricultural integrated industry, etc.
Sabah	Island tourism, cross-border trade, petroleum processing, commodity economy, aquaculture, etc.
Johor	Water transport logistics center, ecological tourism and cultural heritage tourism, southern regional education center, food production center, petroleum and related downstream industries, etc.
Sarawak	Commodity economy, oil and gas industry, eco-tourism, technical agriculture and animal husbandry, renewable energy, etc.

4.2 Key Industries

The contribution rates of Malaysia's primary, secondary and tertiary industries to GDP in 2020 are 7%, 35% and 58% respectively. Among them, manufacturing and service industries are dominant industries, accounting for a relatively high proportion of GDP.

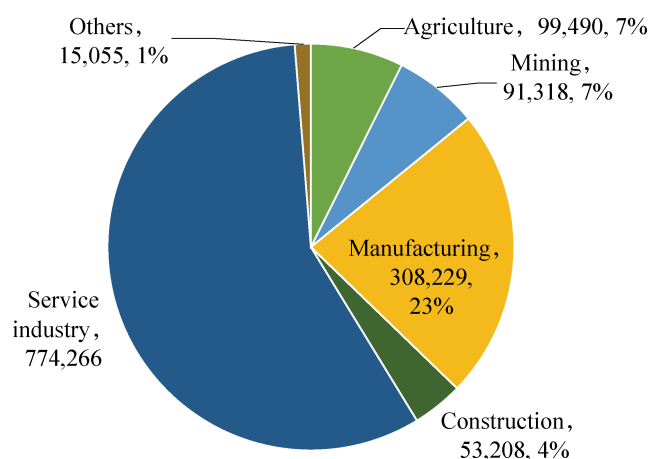


Fig.4-1 Malaysia's industrial structure and scale in 2020 (Unit: MYR100,000,000)^①

① Department of Statistics Malaysia: www.dosm.gov.my.

Palm Oil Industry^①

Oil palm is one of the most important economic crops in Malaysia. As of March 2021, Malaysia has about 5.89 million hectares of oil palm plantations, with an average annual output of about 94.7 million tons. The products produced by oil palm processing mainly include: palm oil, palm kernel oil (PKO), oil palm leaf (OPF), oil palm trunk (OPT), oil palm empty fruit bunch (OPEFB), palm kernel shell (PKS), mesocarp fiber (MF) and palm oil mill effluent (POME), among which palm oil is one of the most widely used vegetable oils. The palm oil industry is a pillar industry in Malaysia. It ranks second in industrial output value in the world, accounting for about 28% of the global output value.

In recent years, the global palm oil consumption has continued to grow, and the main export markets for palm oil in the country are China, India and the European Union. In 2020, the Malaysian palm oil industry received a total investment of RM 140 million, of which the foreign direct investment size was RM 600,000. In 2020, the Malaysian Investment Development Authority approved a total of RM 250 million oil palm biomass product investment projects. South Korea is its main source of investment.

Electrical and Electronics Industry (E&E)^②

Malaysia is the world's major electrical and electronics manufacturing center. The electrical and electronics industry is its largest export exchange-earning industry. In 2020, the export output value is RM 386.1 billion, accounting for 39.4% of its total manufacturing exports, an increase of 3.5% over the previous year. At present, the electrical and electronics industry has attracted investors from the Netherlands, Mainland China, Taiwan, and Hong Kong. The main investment areas are concentrated in electronic components, consumer electronics, industrial electronics and

① Malaysian Investment Development Authority (MIDA): www.mida.gov.my.

② Malaysian Investment Development Authority (MIDA): www.mida.gov.my.

industrial electrical appliances.

The comparative advantage of Malaysia’s electrical and electronics industry is mainly reflected in the semiconductor field, and most of the domestic practitioners have rich experience and expertise in the field of semiconductor device production. During the COVID-19 pandemic in 2020, the production sectors of traditional manufacturing industries in various countries have been hit severely, which led to strong demand for electronic appliances, especially electronic equipment, medical equipment, auto parts, and communication base stations. It is expected that the demand for competitive semiconductors and electronic products in the global market will continue to increase.

With the increasing global demand for smart medical equipment, smart home appliances, virtual communication equipment, and e-commerce, Malaysia’s electrical and electronics industry has broad development prospects. The Malaysian government has promulgated many industry incentives that are conducive to the development of the industry, aiming to increase the growth scale of the electrical and electronics industry and promote its sustainable development. In the *12th Malaysia Development Plan* promulgated in March 2021, the government plans to continuously improve the level of factory automation and digital production, and promote the domestic manufacturing industry to achieve the development goal of “smart factory” as soon as possible.

Aviation Travel Industry^①

Malaysia is located at the core of the Asia-Pacific region and has the world’s largest air travel market. The country has provided relatively high-quality aviation industry park infrastructure for the development of the air travel industry, which is represented by Kuala Lumpur Air City, Subang Aviation Technology Park, and Senai Aviation Technology Park. In

① Malaysian Investment Development Authority (MIDA): www.mida.gov.my.

addition, the government has promulgated a series of strong industry incentives, such as increasing support for local primary and secondary aviation manufacturing companies and aviation maintenance, repair and operations (MRO) companies; encouraging foreign and domestic investors to form joint ventures to participate in the investment of related projects, cooperating with international training institutions to jointly expand and improve the quality of professional talents, providing a five-year income tax reduction and exemption for related enterprises in the aviation industry, and exemption of imported equipment tariffs and taxes.

In Malaysia, the development of aviation manufacturing and aviation maintenance, repair and operations (MRO) has been relatively mature. Currently, the Malaysian aviation manufacturing sector has become one of the fastest-growing sectors in the aviation travel industry, and is also the main income contributor to the aviation travel industry. The main aviation manufacturers are Spirit Airlines Malaysia, Composite Process Research and Development Corporation Malaysia, and Asia Composites. Manufacturing companies and Upak Aviation Technology, etc. The field of aviation maintenance, repair and operations (MRO) mainly includes the production of aircrafts, engines, parts and other products. The current main suppliers are Airbus SE, GKN Airlines, Malaysia General Electric Services Co., Ltd. and Asia Aerotech. Among them, the Subang Air Science and Technology Park in the Petaling area is the largest MRO center in the region. With a competitive cost advantage, it is one of the main investment destinations for foreign investors in the Malaysian aviation travel industry.

Logistics Service Industry^①

In the ASEAN region, Malaysia has the geographical advantage of closely connecting enterprises and consumers in the region. In order to promote the development of the country's logistics service industry, the Malaysian government has promulgated several plans such as the

① Malaysian Investment Development Authority (MIDA): www.mida.gov.my.

construction of the Digital Free Trade Zone (DFTZ) to accelerate the construction of a technology logistics system with Malaysia's e-commerce ecosystem at the core. At present, Malaysia has successfully built a global integrated logistics service system and is committed to providing integrated, full-process logistics services for regional or global enterprises. In 2019, the domestic logistics service industry received a total of RM 245 million of investment at home and abroad, and a total of 29 logistics service companies invested in the construction of a global integrated logistics service system. In 2020, the industry will achieve a net value of RM 30.2 billion. A total of RM 1.4 billion domestic integrated logistics service projects and an international integrated logistics service investment project totaling RM 990 million were approved that year.

Medical Service^①

In recent years, Malaysia's demand for private healthcare has been increasing. The medical service industry has strong competitiveness in the industry in terms of price level, service quality, and availability. The Malaysian government has issued industry incentives to attract foreign investors to invest in local high-quality medical services, including: giving foreign investors a 10-year corporate income tax exemption period; providing a 10-year preferential period for withholding and payment of royalties and service fees; providing more flexible foreign exchange management and unlimited overseas labor employment authority. In addition, in the medical tourism industry, foreign investors engaged in related business activities such as private hospitals and medical emergency centers in Malaysia are granted a five-year income tax exemption. In 2019, the investment of foreign investors in Malaysia accounted for about 15% of the total investment scale, and the main sources of investment were Japan, South Korea and Central Asia.

In addition, Malaysia is also a major medical tourism destination in the ASEAN region. In

① Malaysian Investment Development Authority (MIDA): www.mida.gov.my.

November 2019, the Malaysian government promulgated the *National Travel Plan 2020*, which was committed to building the country into an Asian fertility and heart disease prevention center. At the same time, it has allocated RM 25 million in 2020 for the development of the country's medical tourism industry. At present, Malaysia has won many titles such as the “Best Healthcare Destination in 10 ASEAN Countries” in the fields of healthcare and medical tourism.

4.3 Foreign Investment

The advantageous geographical location, perfect infrastructure, open foreign investment access mechanism and preferential incentive measures have made Malaysia gradually become one of the destinations for foreign companies to invest abroad. According to statistics from the Malaysian Bureau of Statistics, Malaysia's net foreign investment in 2020 will be approximately RM 15.22 billion, which would mainly flow to the finance and insurance industry, information communication industry and manufacturing industry.

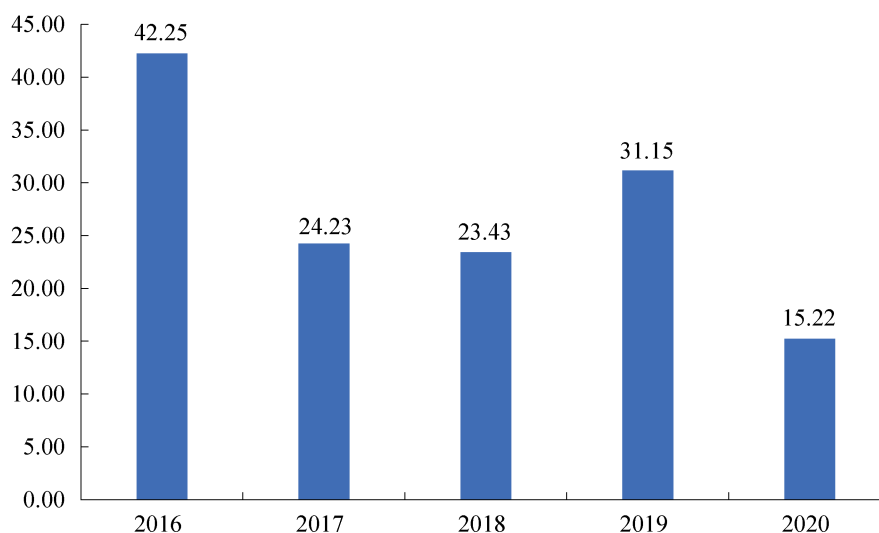


Fig.4-2 FDI in Malaysia, 2016–2020 (Unit: RM billion)^①

Foreign Capital Source

In 2020, the United Kingdom, Indonesia, the Netherlands and China were Malaysia's top 4

① Department of Statistics Malaysia: www.dosm.gov.my.

sources of foreign investment, accounting for 30.78%, 21.14%, 7.58% and 7.28% of the total foreign investment.

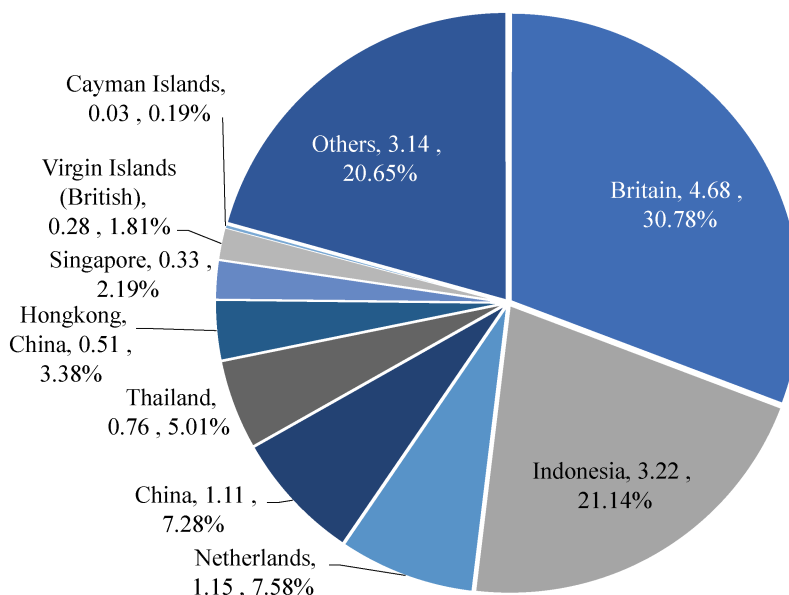


Fig.4-3 Origin of Malaysia's FDI in 2020 (Unit: RM billion)^①

Industry Distribution of Foreign Investment

In 2020, the finance and insurance industry is the field in which Malaysia attracted the most foreign investment, with a net foreign investment of about RM 7.54 billion, accounting for 46.93% of the total foreign investment in the whole year, followed by the information and communication industry, attracting foreign investment with a net foreign investment of about RM 2.70 billion. The industry accounted for 16.77% and was followed by the manufacturing industry, attracting foreign capital of RM 2.36 billion, 14.66% of the total; the other industries that absorbed more foreign capital were mining and quarrying, agriculture, forestry, animal husbandry and fishery, as well as construction.

^① Department of Statistics Malaysia: myside.statistics.gov.my/index.php?lang=en#.

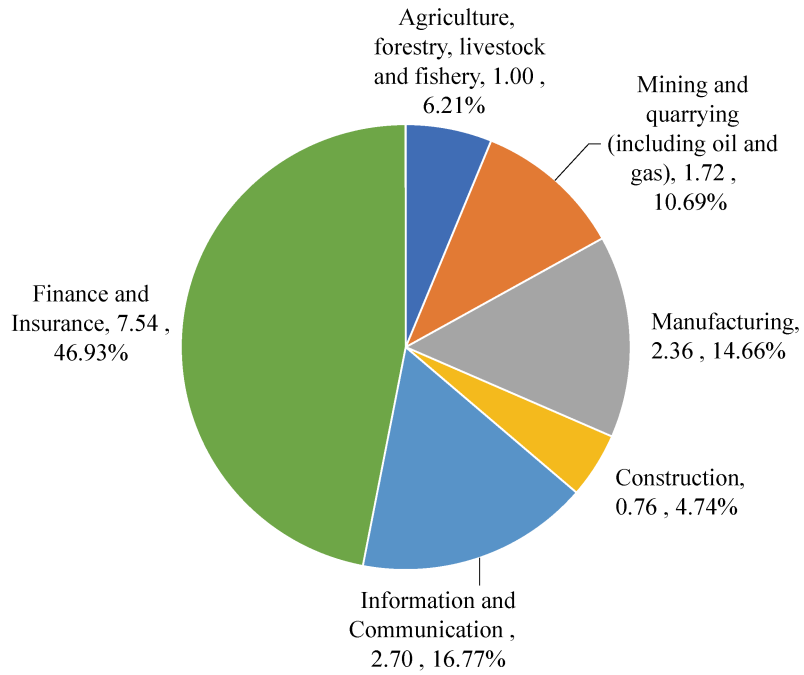


Fig.4-4 Industry Distribution of Malaysia's FDI, 2020 (Unit: RM billion)^①

^① Department of Statistics Malaysia: myside.statistics.gov.my/index.php?lang=en#.

5

Starting a Business

5.1 Registering a Business

Competent Authorities

The Suruhanjaya Syarikat Malaysia (SSM) is the competent authorities responsible for matters related to company registration.

Entity Types

In Malaysia, foreign investors can register and set up sole proprietorships, partnerships, limited companies (listed companies and private limited liability companies), branches and representative offices of foreign companies and other entities. Among them, a limited liability company is the most common form of entity registration.

Table 5-1 Malaysian business registration requirements^①

Types	Requirements
Public and private limited liability companies	<p>Capital requirements: At least 1 subscriber, without enterprise provident fund requirements. The capital contribution can be in cash or any other form. If it is in other form, it must be evaluated by an independent third party.</p> <p>Shareholder requirements: There are no residency or nationality restrictions, and the maximum number of shareholders in a private limited company is 50.</p> <p>Requirements for the board of directors: A private limited company must have at least 1 director, and a listed company must have at least 2 directors. Both resident and non-resident citizens can serve as directors.</p> <p>Share registration: A share registration system is adopted. The common shares of listed companies and their subsidiaries must guarantee equal voting rights.</p>

^① Companies Commission of Malaysia (SSM):[www.ssm.com.my/Pages/Services/Registration-of-Business-\(ROB\)/Registration/Registration.aspx](http://www.ssm.com.my/Pages/Services/Registration-of-Business-(ROB)/Registration/Registration.aspx).

Continued

Types	Requirements
Branches and subsidiaries of foreign companies	Information disclosure: The branch must provide the name and address of at least 1 Malaysian resident who has the right to accept notifications on behalf of the company. Enterprise change: If the branch decides to change it into a subsidiary, the loss of the original company shall not be transferred to the newly registered subsidiary account.
Representatives or regional offices of foreign companies	The establishment of a representative or regional office of a foreign company is not subject to the application for registration with the SSM, but prior approval from the Malaysian Investment Development Authority (MIDA) must be obtained before business activities. The single approval is valid for 2 years.

Registration Procedure

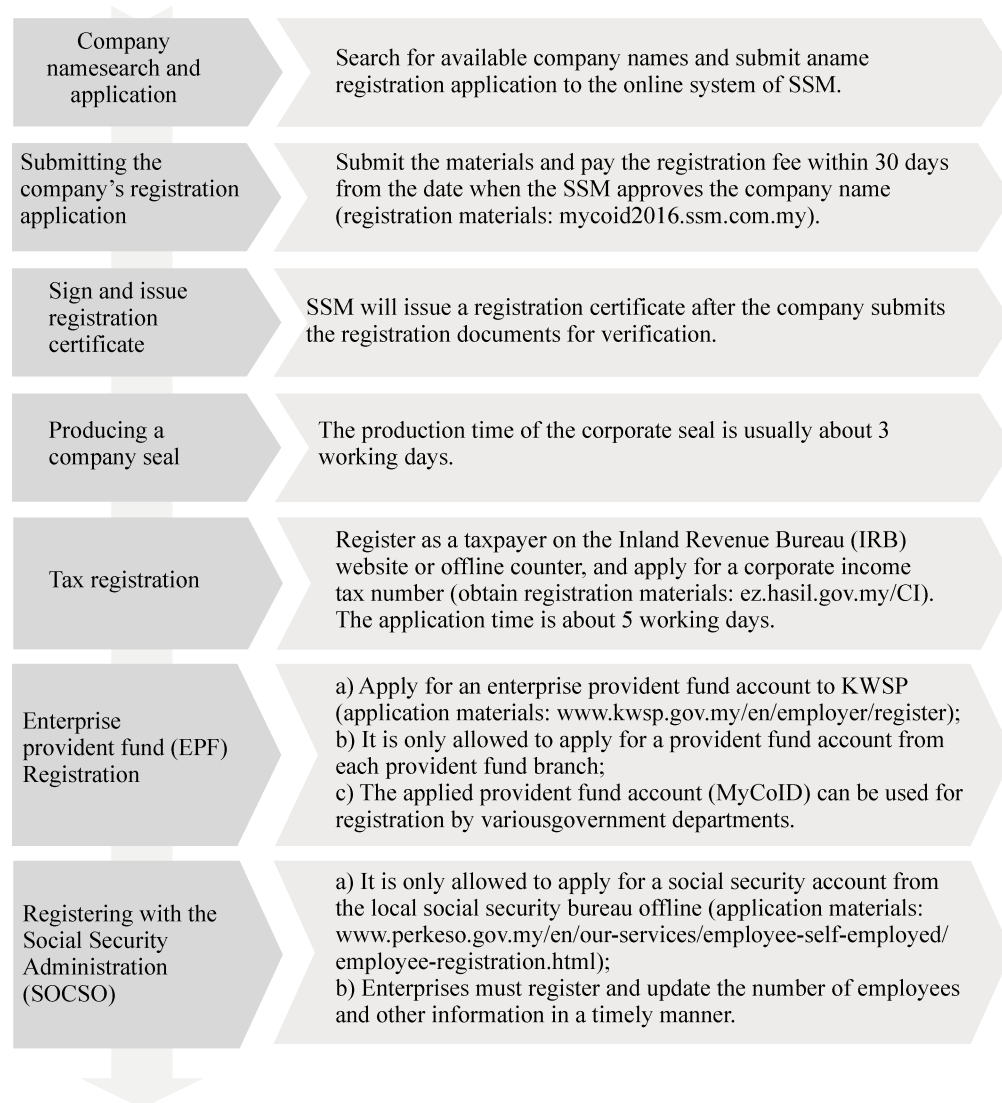


Fig.5-1 Main procedures for Business Registration^①

^① SSM registered materials: mycoid2016.ssm.com.my; BIR registered materials: ez.hasil.gov.my/CI; KWSP registered materials: <http://www.kwsp.gov.my/en/employer/register>; SOCSO registered materials: <http://www.perkeso.gov.my/en/our-services/employee-self-employed/employee-registration.html>.

5.2 Project Contracting

Acquiring Information

The time period from feasibility study, engineering design to final implementation of large-scale engineering projects in Malaysia is generally long. Generally, for government-funded engineering projects, the competent government department releases relevant bidding information, while for private projects, bidding and project information needs to be released through major newspapers.

Obtaining Qualifications of Bidder^①

For foreign contractors to register and establish a construction company in Malaysia, they need to be approved by the Malaysian Construction Industry Development Board (CIDB), and they must also obtain a construction contracting grade certificate. According to the law, a wholly foreign-owned enterprise cannot obtain an A-level license, and without an A-level license, it cannot participate in the bidding of government projects of above RM 10 million as a general contractor. Therefore, to become a company with an A-level license, the foreign investors must cooperate with a local company.

Malaysian government financial appropriation projects are generally handed over to local contractors. Foreign engineering companies are not allowed to act as general contractors alone. Foreign companies can only undertake subcontracting from local Malaysian companies.

Bidding^②

National infrastructure projects funded by the World Bank, Asian Development Bank and other international institutions are subject to public bidding in accordance with international standards. Under normal circumstances, for large-scale projects, international bidding procedures

① Malaya Corporate Group: <https://malayacorporate.com/cidb-license/>.

② Construction Industry Development Board of Malaysia: www.cidb.gov.my/index.php/en.

need to be initiated, and private engineering projects have fewer restrictions on bidding targets, and the biggest risk is the limitation of payment guarantees.

The Malaysian government-funded engineering projects and private sector projects generally implement a bidding system. After signing a contract with a local operator, the contractor needs to apply to the Construction Industry Development Bureau (CIDB) for a construction permit, and the contractor will check the qualifications of the contractor, supervise and review the progress of the project. Under normal circumstances, the contractor needs to apply for the following materials: permits for the use of machinery and equipment, permits for the site of workers and storage of equipment and materials, etc.

5.3 House Leasing

Office space in Malaysia is roughly divided into 2 types: service offices and traditional offices. Among them, the service office is fully equipped, usually including network, meeting room, audio-visual equipment, reception services, parking spaces and other facilities, which can be leased for a short term, but the price is higher, which is more suitable for small and start-up companies.

Traditional offices are mainly located in various regional commercial centers in Malaysia. Investors generally obtain leased premises through real estate brokerage companies for a lease term of at least 2 years. Under normal circumstances, the lessee is responsible for the daily expenses such as sewage treatment fees, utility fees, Internet access fees, and telephone fees of the rented house. The office area property management fees are usually included in the rent and do not need to be paid by the lessee separately.^①



Special Reminder:

The following materials need to be provided when an enterprise rents an office room: enterprise registration certificate; company memorandum or articles of association; equity distribution

^① CCPIT, Guide on the Business Environment of Foreign Countries for Investors-Malaysia (2019).

information sheet; the enterprise's registration place; the enterprise's directors, supervisors and senior management personnel information form.

Table 5-2 Some of the intermediary platforms for renting houses in Malaysia

Agent	Contact Information
Virtual Office Malaysia	Tel: +60 32 788 3555 Website: www.voffice.com.my Address: Kuala Lumpur City Unit 3A-07, Tower A, The Vertical Business Suite, 8, Jalan Kerinchi, Bangsar South
Union SPACE	Tel: +60 32 726 2726 Website: www.unionspace.my Address: Kuala Lumpur City 29 Jalan Riong, Bangsar
NOVUX	Tel: +60 17 807 0800 Website: www.novux.com.my Address: Kuala Lumpur City 1-23-5 / 23-7 / 12-6 / 11-5 / 15-1 Menara Bangkok Bank, Berjaya Central Park, Jalan Ampang
INSPACE	Tel: +60 37 652 2838 Website: www.inspace.com.my Address: 13A Jalan PJU 5/1, Kota Damansara, Petaling Jaya, Selangor

5.4 Opening a Bank Account^①

In Malaysia, companies of all categories can open corporate bank accounts in local banks. When initially opening a bank account, banks usually conduct preliminary investigations on directors, secretaries, and corporate entities.

A foreign company (without a fixed place of business registration) need to provide proof of renting office premises in Malaysia and a list of stable upstream and downstream suppliers in the country. The required company/personal materials include:

a) The company's elated materials: company name, branch and address; copy of the company's director's identity certificate and a copy of the company's legal person's identity certificate; the board of directors' account opening resolution and legal person's authorization certificate; the company's articles of association; business registration certificate, etc.; letter of introduction or certification.

b) Personal related information: shareholder passport, shareholder address certificate,

^① SME Bank: www.smebank.com.my/en/financing 2.

business lease contract and certificate, property management fee certificate, etc.

5.5 Employee Recruitment

The Malaysian employee recruitment channels can be roughly divided into 4 categories: traditional online recruitment, fresh graduate recruitment, headhunting recruitment and government-sponsored recruitment platforms.

Table 5-3 Malaysia's Employee Recruitment Channels

Channels	Name	Website	Notes
Traditional online recruitment	WOBB	www.my.wobbjobs.com/employers	Basically, covering the recruitment information of local and multinational companies in Malaysia.
	JobStreet	www.jobstreet.com.my	
	LinedIn Jobs	www.business.linkedin.com	
	Monster	www.monster.com.my	
Fresh graduate recruitment	University of Malaya	www.um.edu.my/career-development	Targeted recruitment information can be released through the university's official channels.
	University Kebangsaan Malaysia	www.ukm.my/ukmkarier/laman-utama	
	University Sains Malaysia	www.usim.edu.my/campus-life/student-support/career-development	
Headhunting	Monroe Consulting Group	www.monroeconsulting.com/malaysia	Providing employers with corporate management personnel recruitment services.
	Seekers Malaysia	www.seekers.my	
	Hays	www.hays.com.my	
Government sponsored recruitment platform	JobsMalaysia	www.jobsmalaysia.gov.my/jobsmy/home	Constructed by the Ministry of Administration and Planning of the Federal Government of Malaysia.
	Malaysia Digital Economy Corporation (MDEC)	www.mdec.my	It is an agency under the Communications and Multimedia Commission of Malaysia.

5.6 Financing

Bank Loans

The main ways for foreign investors to apply for loans from commercial banks include 6

types, namely credit overdrafts, term loans, bridge loans, fixed loans, revolving loans and financial guarantees.

Application Conditions. The main conditions for non-resident enterprises to apply for bank loans are: a) the loan applicant enterprise must have been in operation for more than 1-2 years; b) more than 51% of the shareholders of the loan applicant enterprise are Malaysian citizens; c) if the subject of the loan application is a small, medium and micro enterprise, the bank will follow the company's specific circumstances. A specific loan application preference is given, provided that the enterprise must meet the enterprise scale standards classified by the Ministry of Enterprise Development and Cooperatives (MEDAC). The specific standards are shown in Table 5-4.

Table 5-4 The basis for the classification of SMEs in Malaysia^①

Industry	Types	Turnover requirements	Number of employees required
Manufacturing	Micro enterprises	Less than RM 300,000	Less than 5 employees
	Small enterprises	RM 300,000-15,000,000	5 to 75 employees
	Medium enterprises	RM 15,000,000-50,000,000	75 to 200 employees
Service	Micro enterprises	Less than RM 300,000	Less than 5 employees
	Small enterprises	RM 300,000-3,000,000	5 to 30 employees
	Medium enterprises	RM 3,000,000-20,000,000	30 to 75 employees

Loan Application Materials. Mainly includes: basic corporate information materials (including a copy of the company registration certificate; a copy of the company's articles of association; a third-party guarantor certificate, etc.); financial and credit information (including audited account books in the past 3 years; business management account details; recent 6-month bank statement; details of equity assets applied from other financial institutions, etc.); supplier/ industry competitor information materials (including debtor and creditor debt age report, a list of top 10 suppliers and purchasers, etc.); other business and financial information (including estimated cash flow for the next 3 years; relevant tax returns for company directors, guarantors, and relevant certification materials for corporate guarantors, etc.).

^① Ministry of Enterprise Development and Cooperatives of Malaysia: www.medac.gov.my

Bond Issuance^①

The Securities Commission Malaysia (SCM) revised the *Guidelines on Issuance of Corporate Bonds and Sukuk*^② (hereinafter referred to as the *Guidelines*) in 2019 to provide for the issuance of corporate bonds and management requirements.

The Guidelines specify that the bond issuance conditions are: a) the company has been listed on the Bursa Securities Exchange, or although it is not listed on the stock exchange, it has obtained the credit guarantee qualification from a local bank or any other institution in Malaysia; b) for the issuance of corporate bonds or sukuk, the currency must be denominated in RM, and the issuance period is at least 1 year, and the bond rating issued by the credit rating agency designated by SCM has been issued; c) the bond issuance will be completed within 1 year from the date when SCM approves the issuance of corporate bonds or Islamic bonds; d) if corporate bonds or sukuk is selected over the counter, the issuer must disclose the price of the bond and the disposal of the investor's bond.

Listing on the Exchange

Malaysia provides initial public offering (IPO) financing channels for all types of issuers. Foreign enterprises are only allowed to apply for listing on the main board market and the ACE market.

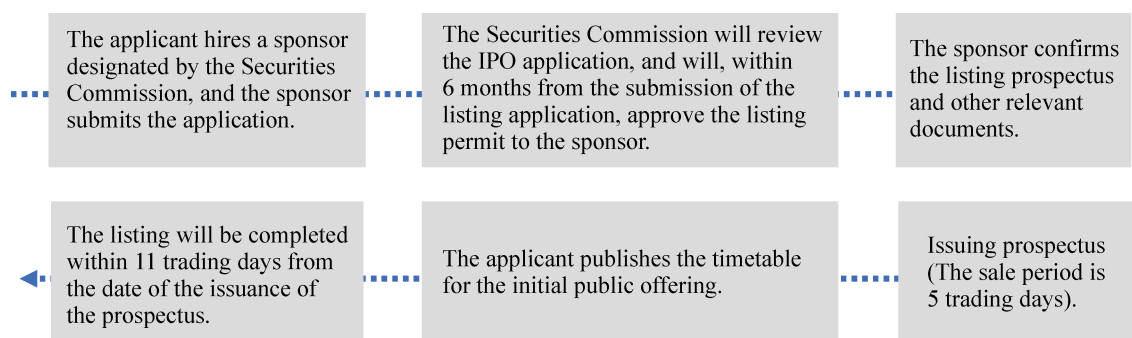


Fig.5-2 Process of listing on the Main board or ACE market^③

① Securities Commission Malaysia (SCM):www.sc.com.my/api/documentms/download.ashx?id=78ced436-2082-4120-9e91-dce870f3a9f0.

② Securities Commission Malaysia (SCM):www.sc.com.my/api/documentms/download.ashx?id=78ced436-2082-4120-9e91-dce870f3a9f0.

③ Stock Exchange of Malaysia: www.bursamalaysia.com.

5.7 Applying for Patents and Registering Trademarks

The Malaysian Intellectual Property Corporation (MyIPO) is responsible for approving patent and trademark applications. Domestic investors in Malaysia can submit patent applications or trademark registration applications by themselves, while foreign investors need to submit applications through domestic patent or trademark registration agencies.

Patent Application Process.

In the patent application process in Malaysia, several reviews such as preliminary review, public review, and substantive inspection must be conducted. Before applying for a patent, investors must ensure that the application materials are accurate and complete to avoid delays in the application period.

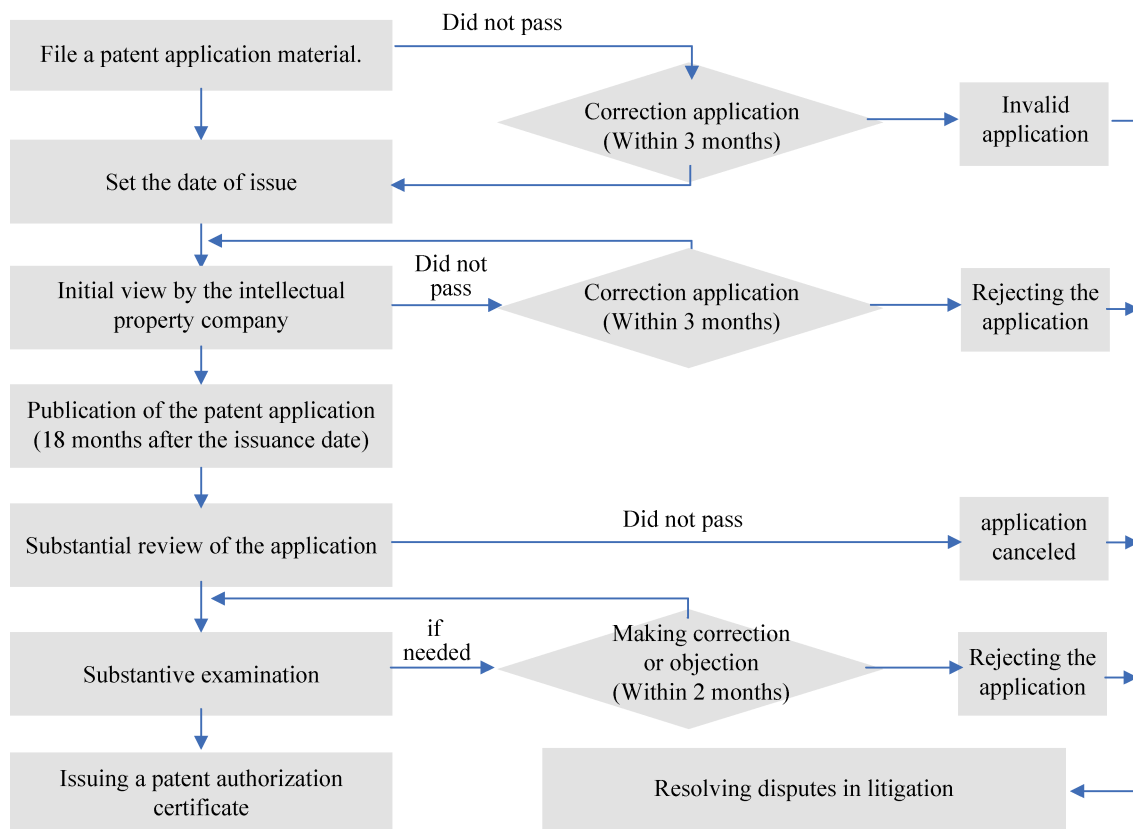


Fig.5-3 The patent registration process in Malaysia^①

① Malaysian Intellectual Property Corporation (MyIPO): www.myipo.gov.my/en/patent-application-process-flowchart

Trademark Registration Process

The application process for trademark registration in Malaysia must go through formal review, substantive review and other procedures. Before applying for trademark registration, investors must ensure that the trademark they apply for meets the statutory trademark application requirements to avoid delays in the application period.

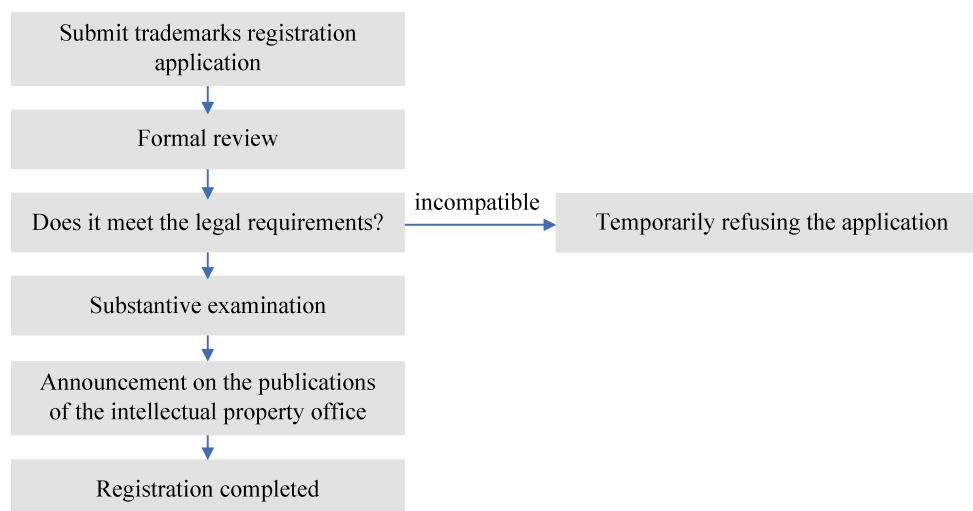


Fig.5-4 Application process for trademark registration in Malaysia^①

5.8 Tax Payment

Tax Declaration

Malaysian income tax (including personal income tax and corporate income tax) is declared on a calendar year basis. Among them, for the personal income tax, the declaration for the previous year must be completed before April 30 of the following year, and the income tax payable in the category of labor remuneration will be withheld and paid by the employer. The effective period of the corporate income tax declaration is within 7 months after the end of the corporate fiscal year.

^① Malaysian Intellectual Property Corporation (MyIPO): www.myipo.gov.my/en/patent-application-process-flowchart.

Tax Declaration Channels

The Inland Revenue Board of Malaysia (IRB) stipulates that companies must submit tax returns to the Inland Revenue Department via online tax filing. The purpose of the tax return is to report the tax payment to be added or refundable tax by deducting the tax paid in installments from the actual tax payable incurred by the company. For the incurred tax to be paid, the enterprise shall pay the tax within 30 days after receiving the notice.

Tax Declaration Formalities

The enterprise obtains the relevant tax declaration form from the tax authority according to the tax declaration number obtained at the time of establishment, fills in the relevant report content, and pays the tax. The information that companies need to provide for tax filing in Malaysia includes: corporate tax filing number, basic corporate information (shareholders and board of directors, etc.), company bank accounts, company financial reports, and dividend distribution.

Penalty for Overdue Payment

The Malaysian Inland Revenue Department stipulates that companies must pay taxes in monthly installments based on the estimated tax payable. Taxes paid in installments need to be settled before the 15th of each month. Late payment or insufficient installment tax will result in a penalty of 10% of the tax payable. If the tax payable exceeds 30% of the prepaid tax, a 10% penalty will also be incurred.



Special Reminder:

According to the internal group deduction system, a resident company can transfer 70% of the current year's losses to 1 or more affiliated companies. The internal group deduction must meet the following conditions: In the relevant tax year, the paid-in capital of the group company

during its actual initial operation in the country is greater than RM 2.5 million; within the required deduction period and the following 12 months thereafter, the inter-company relationship must continue to exist; the applicable tax rate of the company's taxable income is the same; and the group companies have the same accounting settlement declaration time. For companies that have obtained the pioneer status (PS), investment tax allowance (ITA), and reinvestment allowance (RA), the internal group deduction system is not applicable.



Legal Provisions

6.1 Land

Competent Authorities and Relevant Laws

In Malaysia, land management rights are owned by the state government, and the state land bureaus are responsible for registering and managing land sales in each state. The land laws of Malaysia are different depending on the region. The land in Peninsular Malaysia is governed by the *National Land Code (1965)*; Penang and Malacca are governed by *the Penang and Malacca Land Act (1963)*; Sarawak is governed by *the Sarawak Land Law*; and Sabah State is based on the *Sabah Land Act*.

Land Classification

Malaysia's land is mainly divided into 2 forms: state-owned and privately owned. According to the nature of the land, it is divided into agricultural, residential and industrial lands. Lands in Malaysia can be used as private property protected by law and can be freely bought and sold.

Provisions on Acquisition of Land by Foreign-funded Enterprises^①

According to the *National Land Code (1965)*, foreign citizens can obtain real estate ownership through the Torrens Title. The Torrens registration system in Malaysia is the unification

① Legal Affairs Department of CCPIT, Studies on Laws of the “Belt & Road” Countries-Malaysia.

of the electronic real estate registration system and the electronic real estate management system.

Real estate property rights and ownership of foreign citizens are controlled by the Malaysian Economic Planning Unit (EPU) and other departments. Any foreign citizen or foreign enterprise must obtain approval from the relevant department before purchasing local land. The Malaysian Economic Planning Unit regularly promulgates a system for foreign capital investment in domestic real estate, including: non-national citizens, foreign citizens who have obtained permanent residency in the country, foreign companies or institutions, and local companies or institutions where non-national citizens have more than 50% of the voting rights. Except for the approval of relevant government agencies before going through the purchase registration procedures, there are no other restrictions on the disposal of real estate by foreign citizens in Malaysia.



Special Reminder:

In Malaysia, the government has the right to compulsorily acquire the land of others. The government has the right to compulsorily acquire the land if it meets the acquisition purpose stipulated in the *Land Acquisition Act (1960)*, such as for public interest or economic development needs in Malaysia. At the same time, land owners have the right to receive appropriate compensation as stipulated in the *Federal Constitution of Malaysia*. Generally, the compensation price available to land owners is calculated based on the market value of the land published in the government gazette on the date of expropriation.

6.2 Tax^①

Competent Authorities and Relevant Laws

The Inland Revenue Board (IRB) under the Ministry of Finance of Malaysia is the

① Inland Revenue Department of Malaysia: www.hasil.gov.my.

administrative department for direct taxation, and the Royal Customs Department is the administrative department for customs, excise taxes and domestic excise taxes. The main laws include: *Income Tax Law*, *Petroleum (Income Tax) Law*, *Real Estate Profits Tax Law*, *Investment Promotion Law*, *Stamp Tax Law* and *Labuan Commercial Activity Tax Law*.

Tax System

Malaysia levies taxes on a territorial basis. The income derived by any persons (including companies and individuals) from Malaysia, or received in Malaysia or deemed to have been received in Malaysia are considered taxable income. The current main taxes include corporate income tax, personal income tax, withholding tax, capital gains tax, consumption tax, etc.

Corporate Income Tax. Since 2016, the corporate income tax rate has been 24%. Corporate taxable income refers to all income derived from Malaysia, including trade and other business income or gains, dividends, interest, discounts, rents, royalties, insurance or other income. This tax rate also applies to branch entities established in Malaysia.

Since 2017, for small and medium-sized resident companies established in Malaysia (paid-in capital not higher than RM 2.5 million, and the paid-in capital of the parent company does not exceed RM 2.5 million), the first income of RM 500,000 obtained is subject to the tax rate of 18%, and the income exceeding the income is subject to the tax rate of 24%.

Table 6-1 Proportion of preferential income tax rate under taxable income^①

Taxable operating income growth rate	Reduced tax rate	Increased tax rate
Less than 5%	N/A	24%
5%-9.99%	1%	23%
10%-14.99%	2%	22%
15%-19.99%	3%	21%
20% or above	4%	20%

Oil income tax. Since 2010, resident or non-resident companies engaged in upstream

① Inland Revenue Department of Malaysia: www.hasil.gov.my.

business in the petroleum industry are required to pay a 38% petroleum income tax. When companies, cooperatives or trusts calculate their payable oil income tax income, the deduction of zakat^① shall not exceed 2.5% of the total income of the corresponding tax year.



Special Reminder:

Malaysia has an extensive network of double taxation relief treaties. Tax treaty relief applications can be applied by taxpayers in the form of income tax returns, or written applications can be made within 2 years after the end of the corresponding tax year (referring to the website of Inland Tax Bureau for details).^②

Individual Income Tax. Individuals are taxed on income earned in Malaysia, and the tax rate depends on whether the individual has tax resident status. Generally, individuals who stay in Malaysia for 182 days or more will be regarded as tax residents; the rest are regarded as non-resident taxpayers.

Resident individuals are required to pay individual income tax at a progressive tax rate of 0%-28% after deducting the personal relief from their total taxable tax.

Table 6-2 Individual income tax rates of taxpayer residents in 2021^③

Annual taxable income (Unit: RM)	Tax calculation standard (Unit: RM)	Progressive tax amount and tax rate
0-5,000	-	0
5,001-20,000	0-5,000	0
	More than 5,000	1%
20,001-35,000	0-20,000	RM 150
	More than 20,000	3%
35,001-50,000	0-35,000	RM 600
	More than 35,000	8%
50,001-70,000	0-50,000	RM 1,800
	More than 50,000	13%

① Zakat is one of the 5 basic tasks for Muslims. Islam stipulates that when the personal assets of Muslims exceed a certain limit, they must pay the zakat tax at a certain rate, which is used to give alms to the poor and the needy to prove the "purity" of the property they own. The current zakat tax rate is 2.5%.

② Inland Revenue Department of Malaysia: www.hasil.gov.my.

③ Malaysian Ministry of Finance: belanjawan2021.treasury.gov.my/pdf/speech/2021/bs21.pdf.

Continued

Annual taxable income (Unit: RM)	Tax calculation standard (Unit: RM)	Progressive tax amount and tax rate
70,001-100,000	0-70,000	RM 4,400
	More than 70,000	21%
100,001-250,000	0-100,000	RM 10,700
	More than 100,000	24%
250,001-400,000	0-250,000	RM 46,700
	More than 250,000	24.5%
400,001-600,000	0-400,000	RM 83,450
	More than 400,000	25%
600,001-1,000,000	0-600,000	RM 133,450
	More than 600,000	26%
1,000,001-2,000,000	0-1,000,000	RM 237,450
	More than 1,000,000	28%
Greater than 2,000,000	0-2,000,000	RM 517,450
	More than 2,000,000	30%

For non-resident taxpayers, the income earned in Malaysia is taxed at a fixed tax rate of 28%. The applicable tax rates for income from other sources are shown in Table 6-3.

Table 6-3 Individual income tax rates of Malaysian tax residents in 2021^①

Income type	Tax rate
Interest income	15%
Patent copyright income	10%
Personal property lease income	10%
Technical or management service fees	10%
Labor remuneration for providing technology or installation services in Malaysia	10%
Dividend	0
Business income, salary, discounted income, rent, insurance premiums, allowances, annuities or other income paid on a regular basis (generally regarded as “one-time” income earned by non-residents)	30%
Other types of income other than the above	10%

The Inland Revenue Department of Malaysia implements a Special Expatriate Tax Regime for foreigners employed in Malaysia. If foreigners are employed in the country for less than 60 days within a calendar year, the income obtained is not subject to taxes in Malaysia.

^① Inland Revenue Department of Malaysia: www.hasil.gov.my.

Foreigners carrying out business activities in Labuan Island or Iskandar Development Zone enjoy special tax incentives. They mainly include the exemption of personal income tax for foreign experts engaged in Islamic finance and participating in technical cooperation in their own country. Moreover, foreigners who are approved to work in the operational headquarters, international purchasing centers, regional distribution centers or regional offices are required to calculate taxable income based on the number of days worked in Malaysia.

Table6-4 Non-Resident Taxpayer Income Tax Deduction Regulations^①

Items	Exemption rate	Validity period
Obtaining unemployment compensation or perform the restrictive clauses in the labor contract.	RM 10,000/year	Valid until December 31, 2021
Proceeds from the implementation of SRI Islamic bonds and bond grant programs.	The beneficiary can enjoy a 5-year tax holiday	Valid until December 31, 2025
The maturity of interest income from sukuk held by non-resident companies in the form of Malaysian government bonds or local currency.	Full tax exemption	Effective within a long term
The enterprise annuity income earned in Malaysia after the employee reaching the age of 55, reaching the legal retirement age, or retiring due to physical reasons.	Full tax exemption	Effective within a long term
The profit distributed by a limited liability partnership to its partners.	Full tax exemption	Effective within a long term
Non-resident companies receive tuition fees or related copyright fees from higher private education institutions in Malaysia.	Full tax exemption	Effective within a long term

Capital Gains Tax. Except for land, buildings or other immovable properties, there is no tax on income from the disposal of other investments or assets.

Real property gains tax (RPGT). RPGT is payable on the proceeds from the sale of real estate in Malaysia, and the proceeds from the sale of land and other real property rights (such as the disposal of real property companies) are also subject to RPGT tax.

Table 6-5 Applicable types and tax rates of Malaysia's RPGT^②

Type	Tax rate	
	Resident enterprises	Non-resident enterprises
Sold in 0-3 years after purchase	30%	30%

① Inland Revenue Department of Malaysia: www.hasil.gov.my.

② Inland Revenue Department of Malaysia: www.hasil.gov.my.

Continued

Type	Tax rate	
	Resident enterprises	Non-resident enterprises
Sold in 4th years after purchase	20%	30%
Sold in 5th years after purchase	15%	30%
Sold in the 6th year and beyond after purchase	10%	10%

Withholding tax. Non-resident companies or individuals must pay withholding tax for dividends, interest, or franchise and technical service fees received by non-resident enterprises or individuals. The specific regulations are as follows:

(1) Dividends: Dividends paid to non-resident companies or individuals will not be subject to withholding tax.

(2) Interests: 15% withholding tax is required to be withheld for interest payment to non-resident individuals. If this item is applicable to other bilateral tax treaties, it can be reduced or exempted in accordance with regulations.

(3) Concession and technical service fees: A 10% withholding tax is required for payment of concession use and technical service fees to non-resident individuals. If other bilateral tax treaties are applicable to this item, it can be reduced or exempted in accordance with regulations.

(4) Branch remittance tax: no branch remittance tax is levied.

(5) Salary tax: In accordance with the Income Tax Withholding Regulations (PAYE), the employer withholds and pays salary income tax for the salary income obtained by the employee. Among them, the employer pays 1.75% of the employee's salary, and the employee pays 0.5% of the salary.

Stamp Duty. When a property transfer transaction occurs, stamp duty must be paid at 0-4% of the transfer value (Table 6-6).

Table 6-6 Applicable types and tax rates of Malaysia's stamp duty in 2021^①

Type	Taxation Standard	Tax rate (%)
Property transfer transactions excluding stocks or other securities	Market value or transfer value, whichever is higher	1-4

^① Inland Revenue Department of Malaysia: www.hasil.gov.my.

		Continued
Type	Taxation Standard	Tax rate (%)
Transfer transactions of stocks, equity and other securities	Market value or transfer value, whichever is higher	0.3
Service and loan agreement	Book value of the service or loan	0.5



Investment Practice:

Non-resident tax-paying company wins the withholding tax case in Malaysia^①

Alcatel International Asia Pacific Pte Ltd (“APL”) is a non-Malaysian tax resident company. According to the service contract signed in 2003, APL and Alcatel-Lucent Malaysia Sdn Bhd (“AMY”) had associated data traffic and global database storage services to charge a fixed service fee. No withholding tax was deducted when AMY paid APL service fees. From the perspective of AMY, this service was performed outside Malaysia, and all web servers are outside Malaysia, and Article 109 of the Income Tax Act should not apply.

However, in 2007, the Malaysian withholding tax audit department told AMY to pay the withholding tax payable by APL from 2001 to 2005. The 2 companies challenged the need to pay the withholding tax and jointly filled an application for judicial review with the High Court. The withholding tax inspection department called the service fee as royalties, and withholding tax was required to be paid in 3 areas (authorization and maintenance fees for information software, lease of communication equipment and payment for personnel, foreigners and other employees). The High Court ruled that the payment for the service was not a royalty and was not subject to the withholding tax.

Comment: Withholding tax has always been a concern of Malaysian companies, especially those need to pay non-residents. Foreign-funded enterprises should be familiar with and abide by the relevant Malaysian prepaid tax regulations, and should promptly adopt legal measures to protect their rights and interests if they encounter unreasonable inspections.

^① Sorted according to the 2008 Corporate Income Tax Annual Report of the Inland Revenue Department of Malaysia.

6.3 Employment

Competent Authorities and Relevant Laws

The Ministry of Human Resources of Malaysia is the department in charge of labor employment and rights protection. The main laws include: *Employment Act (1955)*, *Labor Relations Act (1967)*, *Employees Social Insurance Act (1969)*, *Employees Provident Fund Act (1991)*, *Workers Compensation Act (1952)*, and the *Minimum Retirement Age Act (2012)*.

Main Clauses^①

Labor Contracts. Every employee must sign a written employment contract. At the same time, the labor contract must contain relevant clauses that explain the process of termination of the employment relationship by any party and the notice termination period.

Working Hours. If the normal working hours do not exceed 8 hours per day or 48 hours per week, employees are entitled to 1 rest day per week; female workers are not allowed to engage in agricultural or industrial related work between 10 p.m. and 5 a.m. In addition, all Muslims can participate in prayer activities on Friday afternoon (between 12 a.m. and 2:45 p.m.).

Salary Payments. Determining employee wages based on labor contracts. Wages must be paid within 7 days after the end of the pay period. Overtime during working days shall be compensated at 1.5 times the normal hourly wage; overtime on non-working days (such as Sundays) shall be compensated at twice the normal wage. During public holidays, overtime pay should be compensated at 3 times the normal salary. Employee bonuses can be floating or fixed. Generally, the standard for the employee's year-end bonuses is their 1-3 month's salary.

Medicare and Social Security. The management and enforcement agency of social insurance is the Social Security Bureau. *The Employee Provident Fund Act (1991)* stipulates that employers

① Legal Affairs Department of CCPIT, Studies on Laws of the “Belt & Road” Countries-Malaysia.

must pay provident funds for their employees. *The Employee Social Insurance Act (1969)* stipulates occupational injury insurance and pension plans. The occupational injury insurance contribution rate is 1.25% of the employee's monthly salary, and the pension contribution rate is 1% of the employee's monthly salary.

Hiring Foreign Employees^①

Work Permit. In Malaysia, the validity periods of the work permit for foreign employees are governed by the employment contract (the maximum validity period is 60 months). A foreign employee can only work for the company specified when applying for a work permit, and his employer is changed, he need to re-apply for a work permit. Work permits can be divided into 3 categories:

Type I (EP): Work pass applicants must have a fixed monthly salary of at least RM 10,000 and must have signed a labor contract that is valid for at least 5 years;

Type II (EPII): The fixed monthly salary of the work pass applicant is between RM 5,000 and RM 10,000, and must have signed a labor contract that is valid for at least 2 years;

Type III (EPIII): The fixed monthly salary of work permit applicants is between RM 3,000 to 5,000, and the employment contract period does not exceed 12 months.

Before applying for a work permit, the employer must apply to the Immigration Department of Malaysia (IMI) for a quota for the number of foreign employees, and the person in charge of the company who submits the application must be a shareholder who owns at least 30% of the company's equity and is the directors or national citizens who register with SSM or hold important positions in the company. In addition, foreign-funded enterprises can also hire foreign employees to take up management positions in the company.

① Companies Commission of Malaysia (SSM): www.ssm.com.my.

Table 6-7 Regulations on foreign-funded enterprises' employment of foreign employees^①

Paid-in capital scale	Related requirements
≤US\$ 200,000	a) It can obtain employment qualifications for up to 10 foreign employees, including up to 5 foreign employment indicators for management positions or important positions; b) The maximum employment period for foreign employees who hold positions above the manager level is 10 years, and the maximum period for non-manager level personnel is 5 years.
US\$ 200,000-2 million	a) It can obtain employment qualifications for up to 5 foreign employees, including at least 1 foreign employment index for management positions or important positions; b) The maximum employment period for foreign employees above the manager level is 10 years, and the maximum employment period for non-manager level personnel is 5 years.
>US\$ 2 million	a) The maximum employment period for foreign employees who hold professional positions at manager level and above is 10 years, and the maximum employment period for foreign employees who hold professional non-manager level positions is 5 years; b) After hiring employees, the company must simultaneously open education and training for corresponding positions for citizens of the country.

Social Security. In Malaysia, foreign employees are protected by the *Workers' Compensation Act (1953)* and can submit applications for payment of social security funds to the Social Security Bureau and their employers. The specific payment standards are shown in Table 6-8.

Table 6-8 Payment standards for social security funds for Overseas Workers^②

Basis for payment	Employer's payment standard	Employee payment standard
Employees aged 60 and below:		
Income > RM 5,000	RM 5/person	11%*
Income ≤ RM 5,000		
Employees at the age of 60 or above:		
Income > RM 5,000	RM 5/person	5.5%
Income ≤ RM 5,000		
*From January 1, 2021 to December 31, 2021, the employee payment rate will be adjusted to 9%.		

**Special Reminder:**

The approval of the positions of foreign employees is mainly carried out by the Malaysian Investment Development Authority (MIDA); in addition, the Malaysia Digital Economy

① Companies Commission of Malaysia (SSM): www.ssm.com.my.

② Malaysian Social Security Administration: www.perkeso.gov.my/en.

Corporation Sdn Bhd (MDeC) is responsible for signing and approving foreign employees of enterprises related to the Multimedia Super Corridor Project; the Public Service Department is responsible for approving visits in public hospitals, Clinics and higher education institutions; the National Bank (BNM) and the Securities Commission (SC) are responsible for approving foreign employees employed by related institutions in the banking, finance, insurance and securities industries.



Investment Practice:

A foreign-invested enterprise faced multiple charges in Malaysia^①

In May 2021, according to the Reuters' report, Malaysian Ministry of Labor officials stated that, according to the workers' complaint, Goodyear had wrongly deducted employees' wages, required employees to work too long, and did not allow workers to fully use their passports. The Goodyear Malaysia Factory is currently facing charges of unpaid wages, illegal overtime and threats to foreign workers.

Foreign workers initiated 3 lawsuits in 2019–2020 for Goodyear's violation of labor and employment related laws and regulations, and all of them won. The court stated that foreign workers enjoy the same rights as Malaysian employees. According to the verdict and the workers' lawyers, Goodyear was ordered to pay wages and abide by the collective agreement.

Malaysian labor department officials stated that Goodyear had already received an administrative penalty of US\$ 10,000 in early 2020 due to overwork and low wages of foreign employees. At present, about 150 workers' pay slips have been submitted to the court as evidence of unpaid wages. According to records, some immigrants worked overtime as high as 229 hours per month, which far exceeded the 104-hour limit in Malaysia. The total wages in arrears are about US\$ 1.21 million.

^① Adapted based on the news from Reuters.

Goodyear Malaysia argued that foreign workers were not entitled to the benefits of a collective agreement as they were not members of a trade union, and challenged the judgment including 2 lawsuits in 2019 to the High Court. The Malaysian High Court is expected to conduct a public hearing on this case on July 26, 2021.

Comment: There is a shortage of labor forces in Malaysia, and a relatively large number of foreign labor forces and most of them come from Indonesia, Nepal, Myanmar, Cambodia, Bangladesh and other countries. According to the report issued by the inspection organization — Verité, the working environment of foreign labor forces in Malaysia is not so optimistic. Their rights and interests are difficult to be guaranteed. In recent years, the Malaysia government has paid more attention to the management of foreign labor forces. Judging from the verdict, the court tends to agree that foreign workers enjoy the same treatment and benefits as domestic workers. Foreign-funded enterprises should correct their employment attitudes and give foreign workers reasonable and equal work treatment.

6.4 Protection of Intellectual Property Rights

Competent Authorities and Relevant Laws

The Malaysian Intellectual Property Office (MyIPO) is a subsidiary of the Ministry of Domestic Trade and Consumer Affairs (MDTCC). It is responsible for regulating intellectual property related matters in Malaysia and effectively managing various types of intellectual property rights. The laws and regulations concerning intellectual property rights mainly include: *Patent Law, Trademark Act, Industrial Design Act, Copyright Act and Integrated Circuit Design Layout Act.*

In addition, Malaysia has acceded to many international conventions, treaties and international agreements related to intellectual property rights, including: *Trade-related Intellectual Property Rights Agreement (TRIPs Agreement) and World Intellectual Property Organization*

(WIPO) Convention.

Applying for Patents and Registering Trademarks^①

Applying for Patent. *The Patent Law* stipulates that the applied patent must meet the 3 characteristics of new type, originality and applicability. The protection period of a patent application is 20 years, and the annual fee must be paid during the protection period to avoid patent invalidation.

Registering Trademark. The *Trademark Act* stipulates the term of trademark protection is 10 years, with a renewal term of every 10 years. Trademark owners can bring an infringement lawsuit against the abuser. Trademark owners have the right to buy, sell, transfer and permit to use registered trademarks. Foreign investors can only register their trademarks through domestic registered trademark agencies and cannot apply on their own.



Special Reminder:

The trademark registration system in Malaysia adopts a first-use doctrine rather than a first-to-file doctrine, that is, the first person to use a trademark will be regarded as the owner of the trademark.

Punishment Measures^②

The Patent Law stipulates that the patent owner has the right to obtain damages and an injunction to prevent further infringement. The patent owner has the right to request the court to order the infringer to submit or destroy the infringing product, or to order the infringer to surrender the profits obtained from the infringement. In addition, in the process of patent application, the act of providing false information or forging a copy is a crime. Upon conviction, the person involved will be fined and/or sentenced to imprisonment not exceeding 2 years.

① Legal Affairs Department of CCPIT, Studies on Laws of the “Belt & Road” Countries-Malaysia.

② Legal Affairs Department of CCPIT, Studies on Laws of the “Belt & Road” Countries-Malaysia.

The *Trademark Act* clarifies that if an intellectual property owner wants the customs to detain counterfeit products, he must first file a complaint with the Intellectual Property Office and provide a trademark ownership certificate and cargo shipping materials to prove the infringement of counterfeit products. After filing a lawsuit, the intellectual property owner must file a civil lawsuit to obtain a court injunction. In addition to the above statutes, the *Trade Descriptions Act* came into effect on November 1, 2011, providing a special tool for enforcement of intellectual property rights-Trade Description Order (TDO). for infringers of registered trademarks, Ministry of Domestic Trade and Consumer Affairs, Malaysia has the right to initiate criminal proceedings against the infringer.

6.5 Import and Export Management

Competent Authorities and Relevant Laws

The Malaysian Ministry of International Trade and Industry (MITI) and other departments are responsible for the issuance and daily management of import licenses. Current laws and regulations include: *Customs Law, Customs Import Management Regulations, Customs Export Management Regulations, Customs Valuation Regulations, Plant Quarantine Law, Law on the Protection of New Plant Varieties, Countervailing and Anti-dumping Law, Countervailing and Anti-dumping Implementation Regulations, and Foreign Exchange Administration Act.*

Import Restrictions

Malaysia implements a free and open foreign trade policy. In order to protect sensitive or strategic industries, Malaysia implements non-automatic import licensing management for certain commodities, involving construction equipment, agriculture, mining and motor vehicles and other related departments.

Table6-9 Licensing authorities for some imported goods in Malaysia^①

Goods types	Licensing authorities
Steel, cables and related products, scrap metal, heavy machinery, natural or synthetic rubber, wires and cables, etc.	Ministry of International Trade and Industry (MITI)
Ephedrine, pharmaceutical equipment, medicines and cosmetics, food (such as rice, wheat flour, milk, etc.)	Ministry of Health (MOH)
Crops and plants	Ministry of Agriculture and Agro-Based Industry (MOA)
Fresh fish	Ministry of Agriculture and Agro-Based Industry (MOA) Malaysian Quarantine and Inspection Service (MAQIS)
Waste treatment related equipment	Ministry of Natural Resources and Environment (MNRE)
Building materials	Construction Industry Development Board (CIDB)

Inspection and Quarantine^②

The Ministry of Agriculture and Agro-Based Industry (MOA) of Malaysia is responsible for inspection and quarantine at all ports of entry (including seaports, airports, land ports, and mail and express delivery centers), quarantine stations, and for issuing import and export licenses for plants, animals, and frozen meat products, fishes, agricultural products, soil and microorganisms and other products. The Malaysian government implements inspection and quarantine procedures for the import of animals and plants. To bring animals and plants into Malaysia, investors should apply for an import license from the relevant Malaysian authorities in advance and comply with various inspection and quarantine procedures when entering the country. It is also required that all meat, processed meat products, eggs, and egg products must come from factories inspected and approved by the Department of Veterinary Services (DVS) of the Ministry of Agriculture and Agro-Based Industry. Also, agricultural products, and all imported products must obtain an import license issued by the Department of Veterinary Services (DVS). All meat, processed meat products, eggs and egg products supplied to Muslims must pass halal certification, and slaughterhouses for cattle, sheep and other poultry and meat and egg processing equipment must be inspected and

① Royal Malaysian Customs Department: www.customs.gov.my/en/tp/pages/tp_ie.aspx.

② Malaysia National Trade Repository: <http://mytraderepository.customs.gov.my/en/Pages/maqis.aspx>.

approved by the Jabatan Kemajuan Islam Malaysia (JAKIM).^①

Import Taxes

Import Taxes. In Malaysia, about 99% of goods are imported from other ASEAN countries without paying import duties. The current import tax rate table can be obtained from the website of the Royal Malaysian Customs Department.^②

Domestic Goods Tax. The domestic excise tax is imposed on certain products manufactured in Malaysia, which mainly include: cigarettes, tobacco products, alcoholic beverages, playing cards, mahjong tiles and motor vehicles. Among them, motor vehicles, playing cards and mahjong tiles will be levied on commodities as the tax standard, and cigarettes, tobacco products and alcoholic beverages will be levied in a combination of fixed tax rates and commodity prices as the tax standard.

Table 6-10 Malaysia Domestic Excise Tax Collection Standard^③

Tariff No.	Category	Total sugar content	Domestic goods taxes and fees	Example
2009	Fruit juice, vegetable juice	> 120g/L	0.40 RM/L	Orange juice, lime juice
2202	Carbonated beverages, non-alcoholic beverages other than animal-based dairy products	> 50g/L		Cola drinks, isotonic drinks, carbonated drinks
	Animal dairy products	> 70g/L		Chocolate milk drink



Investment Practice:

Malaysian Customs strictly inspected imported goods to prevent smuggling and illegal imports^④

In 2018, the Malay government announced a total ban on the import of “foreign garbage”,

① The Jabatan Kemajuan Islam Malaysia of Malaysia (JAKIM) is the government department that promotes and promotes the development of Islam in the country and formulates the Islamic Code. Since 1982, the Malaysian government has vigorously promoted the Muslim Food (Use) Certification Standard (HALAL) throughout the country, and the Islamic Development Agency is responsible for factory inspection and issuance of HALAL certificates.

② Royal Malaysian Customs Department: fta.miti.gov.my/miti-fta/resources/Text%20Of%20TPPA/2-D_Malaysia_Tariff_Elimination_Schedule_.pdf.

③ Royal Malaysian Customs Department: www.customs.gov.my/en/tp/pages/tp_ie.aspx.

④ Sorted according to Nanyang Commercial Daily News.

but there are still companies that illegally transport garbage into the country. During the rigorous investigation, more than 140 containers of plastic garbage were found in Port Klang, and there were 200 in Penang.

Because of rampant tax evasion, the Royal Malaysian Customs Department announced in 2019 that it would implement the “pay first and then refund” measure. Before the introduction of the “pay first, refund later” measure, merchants imported cigarettes and alcohol from foreign countries, and the goods were not required to pay taxes until they were waiting in warehouses to be shipped to duty-free zones or duty-free shops. However, the Royal Customs Bureau found that tax evasion often occurred during this process, so it decided to adopt the “pay first and refund later” method, that is, tax was collected from merchants before the import of tobacco and alcohol, and the goods were transferred to each duty-free zone or duty-free store after they were shipped into Malaysia before the tax was refunded to the merchant.

In order to combat illegal imports, in 2019, the Malaysian Customs launched a three-month rigorous inspection. The customs strictly ordered that the goods must be consistent with the name of the list. If there was a false report, the goods would be seized, seized and fined, such as cigarettes, alcohol, garbage, plastics, etc. For tiles and tires, the freight forwarding license of related companies would be revoked. Within 2 weeks of the implementation of the rigorous inspection, 5 freight forwarders have seized goods and revoked their licenses, including 1 involving cigarettes and wine, and 4 involving imported garbage plastic. In the first 2 months of 2019, the Royal Malaysian Customs Department detected a total of 325 cases of smuggling tobacco and alcohol, confiscating 100 million cigarettes with a total value of more than RM 100 million and 228,000 liters of alcohol. Among them, 148 cases were appealed to the court, and the defendants in 74 cases pleaded guilty and would face a fine of up to RM 100,000 or a maximum imprisonment of 5 years.

Comment: While making profits, companies should also bear tax obligations and respon-

sibilities. Enterprises shall closely comply with Malaysia's import and export management regulations, declare customs and pay customs duties as required. For an enterprise engaged in freight forwarding, it should fully communicate with the partner and do a good job inspection of the goods to avoid disputes and involvement.

6.6 Environmental Protection

Competent Authorities and Relevant Laws

The Environment Bureau under the Ministry of Natural Resources and Environment is the competent authorities for environmental protection in Malaysia. It is mainly responsible for the formulation of environmental policies and the supervision and implementation of environmental protection measures. Relevant laws and regulations include: *Environmental Quality Act (1974)*, *Environmental Quality Act (1987)*, *Environmental Impact Assessment Procedure (1990)* and *Environmental Impact Assessment Guidelines (1994)*.

Regulations on Environmental Assessment^①

According to the *Environmental Quality Law (1974)*, the standard of handling or compensation for pollution accidents is determined mainly based on the nature, impact and consequences of pollution accidents. Air pollution, noise pollution, soil pollution, and inland water pollution will be fined less than RM 100,000 and/or imprisoned for less than 5 years, depending on the situation; the enterprises engaged in sewage discharge, oil discharge, public incineration, production using toxic substances or specific equipment would be fined less than RM 500,000 and/or imprisoned for less than 5 years.

According to the *Environmental Impact Assessment Guidelines (1994)*, Malaysia's environmental impact assessment procedures are divided into 2 categories: preliminary environmental impact assessment and detailed environmental impact assessment. The projects of the preliminary

① Ministry of Natural Resources and Environment of Malaysia: <https://nreb.gov.my/>.

environmental impact assessment mainly include agriculture, airports, reservoirs and irrigation, land reclamation, fisheries, forestry, residential development, petrochemicals, steel, pulp, infrastructure, ports, minerals, oil and gas industries, power stations, railways, transportation, garbage and waste treatment, water supply, etc. The detailed environmental impact assessment projects mainly include steel mills, pulp mills, cement plants, coal power plants, dams, land reclamation, waste disposal, logging, chemical industry, oil refining, radiation and other hazardous industries.

Punishment Measures^①

According to the *Environmental Quality Act (1974)*, any violations stipulated by this law are criminal acts and will be fined, punished and imprisoned. At the same time, the Ministry of Natural Resources and Environment can take necessary measures to eliminate, disperse, destroy or reduce pollution, and can recover all related expenses and expenses incurred by it. When the court finds that the offender has suffered property loss or damage to others due to its own actions or negligence in the crime, it may order the offender to compensate the victim or bear the corresponding property loss of the victim.



Investment Practice:

Chinese enterprises participated in Malaysia's East Coast Railway Environmental Protection Plan^②

In February 2018, the Ministry of Natural Resources and Environment of Malaysia signed a memorandum of agreement with China Communications Construction Group Co., Ltd. (CCCC), which is responsible for the construction of the East Coast Rail Link (ECRL) project. Both parties would work to ensure the construction process meets environmental requirements.

According to the agreement, in the preliminary preparations for railway construction, the 2

① Legal Affairs Department of CCPIT, Studies on Laws of the “Belt & Road” Countries-Malaysia.

② Sorted according to relevant information of Xinhuanet client and www.malaymail.com.

parties will ensure the implementation of the Wildlife Protection Law to reduce threats to wildlife. During the construction, for wildlife protection areas that cannot be avoided along the railway, CCCC will join hands with the Malaysian party to move wild animals to more suitable reserves in different ways.

The East Coast Railway project connects Kota Bharu on the east coast of Peninsular Malaysia with the country's largest commercial port, Port Klang on the west coast and close to the capital Kuala Lumpur. The railway passes through many forests and mountainous areas. There are 30 species of wild animals including Malay bears and Malay tapirs in the protected forests along the route. The route planning of the East Coast Railway project bypasses important biodiversity gathering places and endangered species habitats and breeding grounds, thereby reducing the project's environmental impact. It is expected to build 30 to 40 tunnels in the whole project to reduce the impact on important forest habitats. The new route will still pass through part of the secondary forest in Malaysia's "Central Forest Spine Plan", but as it is mainly distributed along the East Coast Highway, its impact on the environment will be limited.

Comment: Malaysia attaches great importance to the protection of biodiversity. The construction of infrastructure such as railways may have a certain impact on the local ecological environment. When undertaking such projects, companies should investigate in advance, plan, and adopt active methods to avoid biodiversity hotspots or reduce negative impacts on the local ecological environment, and protect the local ecological environment while constructing the project.



Investment Practice:

Pasir Gudang strictly inspected factories and issued 130 fines^①

In 2019, there were 2 vicious environmental pollution incidents in Pasir Gudang, Johor, Malaysia within 1 year. In March, factories near the Kim River directly discharged toxic

① Sorted based on the news from Sin Chew Daily, Malaysia and Lianhe Zaobao, Singapore

chemicals into the river. As a result, more than a thousand sufferers who went to hospital were suspected to become poisoned, and all 111 schools nearby were closed. In June, chemical pollution occurred again in Pasir Gudang. More than 300 students were treated for breathing difficulties and vomiting. A total of 475 local schools and educational institutions were closed for 3 days. President Mahathir warned that severe measures would be taken to deal with enterprises that polluted the environment.

A total of 75 people from the Johor State Environment Bureau, Pasir Gudang City Council, Civil Defense Forces, Environment Bureau, Immigration Department of Malaysia, the Police, and other relevant agencies were divided into 3 groups to conduct comprehensive inspections of more than 250 chemical plants in Pasir Gudang. After inspecting 6 factories, the government has issued 130 fines, 55 warning letters, 11 detention orders, and 3 suggestions for prosecution to go to court. It shut down a foreign-invested factory that hadn't applied for a license for 3 years and detained 3 others. 3 foreign workers without certificates were detained. It was proposed that the *Environmental Quality Act (1974)* should be proposed to implement sanctions for companies that do not meet the emission standards.

Comment: According to the *Environmental Quality Act (1974)*, companies that emit toxic substances that fail to meet the emission standards may be imprisoned for less than 5 years and fined. In addition to the necessary measures such as applying for business licenses and legal work visas for employees in Malaysia, foreign companies in Malaysia should also actively manage with higher environmental standards and concepts. If conditions permit, they can introduce more advanced environmental protection technologies to ensure production and emission safety.

6.7 Anti-commercial Bribery

Competent Authorities and Relevant Laws

The agency responsible for dealing with official corruption and commercial bribery in

Malaysia is the Malaysian Anti-Corruption Commission (MACC), which is supervised by its subordinate agency (as an external inspection and balance agency). The main agencies include: Anti-Corruption Advisory Committee, Special Committee on Corruption and Complaints, Action Review Team, Advisory and Anti-corruption Team, etc. The laws involved are: *Criminal Law*, *Customs Law (1967)*, *Anti-Corruption Law (1997)*, and *Anti-Corruption Commission Act (2009)*.

Main Clauses^①

Articles 161-165 of Chapter IX of the *Criminal Law* stipulate that, in addition to obtaining legal remuneration, public officials seek improper benefits for others on the grounds of soliciting or accepting other people's property or illegitimate benefits, helping others to bribe public officials, and helping public officials to accept bribery, accepting belongings or improper advantage from others, or exploiting one's own relationship to influence the decision of public officials to obtain improper benefits for others, etc., are all bribery.

The *Anti-Corruption Commission Act (2009)* stipulates that anti-commercial bribery-related cases can only be prosecuted by prosecutors. In addition, Malaysia's anti-commercial bribery review will also refer to the *United Nations Convention against Corruption*, which was signed and entered into force on October 24, 2008.

Punishment Measures^②

The *Anti-Corruption Law (1997)* stipulates that individuals, personally or on behalf of others soliciting, accepting or agreeing to accept, give, promise property or improper advantage to obtain improper benefits, etc. are all bribery and will be punished for more than 14 days and 20 years. The following imprisonment or fines based on 5 times or more of the converted value of the bribery property.

① Malaysia Gazette: <https://malaysiagazette.com/tag/suruhanjaya-pencegahan-rasuah-malaysia-sprm/>.

② Legal Affairs Department of CCPIT, Studies on Laws of the "Belt & Road" Countries-Malaysia.



Investment Practice:

A foreign company was fined US\$ 2.5 billion for participating in a corruption case in Malaysia^①

The Malaysian subsidiary of the US investment bank Goldman Sachs admitted in July 2020 that it violated the laws of the relevant countries and regions in underwriting the bonds of the Malaysian sovereign fund “1 Malaysia Development Berhad” (1MDB), offered bribery to officials in Abu Dhabi, UAE more than US\$ 1 billion. Through negotiation, Goldman Sachs chose to pay US\$ 2.5 billion in fines and return at least US\$ 1.4 billion in guarantees related to 1 MDB bonds as conditions to reconcile with the Malaysian government.

1MDB is a state-owned wholly-owned investment fund established by former Malaysian Prime Minister Najib Razak in 2009. It hopes to develop Malaysia’s economy and benefit the people through various global cooperative investment and foreign direct investment projects. According to the US Department of Justice, from 2009 to 2014, 1MDB’s management and other associates were suspected of stealing US\$ 4.5 billion of the company’s assets and laundering money through the US and global financial systems.

Between 2012 and 2013, Goldman Sachs undertook 3 bond issuances of 1MDB and helped 1 MDB raise US\$ 6.5 billion. During the period, the funds of 2.7 billion US\$ were embezzled and transferred to the accounts controlled by former Goldman Sachs banker Tim Leissner and Malaysian financier Jho Low and others. They were used to bribe government officials and charged bond issuance costs of US\$ 600 million, far high than the market level.

The investigative agency of the Goldman Sachs case involved 7 countries (the United States, the United Kingdom, France, Singapore, Switzerland, Luxembourg, and Malaysia) and the cooperation and assistance of at least 18 global law enforcement agencies. It is one of the top 10 corruption cases in the world disclosed by the US Department of Justice.

According to the report of the *Wall Street Journal*, the former Malaysian President Najib

^① According to the data of the US Department of Justice, Wall Street Journal, Sina Finance and other institutions and medias.

was directly involved in the 1MDB scandal and used 1MDB funds in his re-election campaign. Najib was trialed on suspicion of money laundering and abuse of power related to 1MDB, and was sentenced to 12 years in prison and a fine of approximately US\$ 51 million (RM 210 million).

Comment: The bribery of multinational companies often involves the sovereignty, jurisdiction, investigative power, judicial assistance and other issues of multiple countries. It is a more complex transnational criminal case. However, joint law enforcement by multiple countries is becoming more common and the intensity has also increased. Overseas companies should strengthen compliance management, be more vigilant, avoid fluke, and do not touch the red line of bribery.



Dispute Resolution

7.1 Judicial System

The Federal Constitution of Malaysia provides for Malaysia to implement a dual judicial system, that is, secular laws (criminal and civil) and Islamic laws are parallel. In addition, the Malaysian Judicial System also refers to the laws of other jurisdictions. For example, Malaysia's criminal procedure and contract law refer to the relevant content of the Indian criminal procedure law and contract law.

The Malaysian court structure is divided into high courts and low courts. The low courts are composed of judges' courts and local courts; the high courts are composed of high courts, appellate courts and federal courts in the east and west. At the same time, Malaysia also has special courts, such as Islamic courts, juvenile courts, labor arbitration courts, labor courts, etc.

7.2 Dispute Resolution

In Malaysia, the main ways to resolve business disputes are mediation, litigation and arbitration.

Litigation^①

It is a general practice to resolve commercial disputes through court litigation. According to the value and matters involved in the dispute, it is decided to initiate a first instance lawsuit in the

① Legal Affairs Department of CCPIT, Studies on Laws of the "Belt & Road" Countries-Malaysia.

judge's court, local court or high court. At present, the judge's court can hear commercial disputes involving an amount of RM 100,000 or less, and the local court can accept commercial disputes with an amount between RM 100,000 and 1 million. If the amount involved in the case exceeds RM 1 million, the first instance must be heard in the High Court.

If any party is dissatisfied with the judgment of the court of first instance and needs to file an appeal, it may file a maximum of 2 levels of appeal. If the first instance is filed in the local court, the first appeal should be submitted to the High Court, and the final appeal should be handled by the Court of Appeal. If the second instance is filed in the High Court, the final appeal should be heard by the Federal Court.

Procedure.

(1) Apply: The parties can apply to a court with jurisdiction by themselves or by entrusting a lawyer;

(2) Court summons: After the court accepts the case, it will issue different court summons to the involved parties according to the different types of cases, such as writ of summons or originating summons;

(3) Pre-trial meeting: The trial judge or the head of the court registry assumes responsibility. The first pre-trial meeting is generally held within 1 week after the petition or court application is submitted to the court. The time of the last pre-trial meeting depends on the state of the case., That is, whether the parties are ready to enter the court proceedings;

(4) Evidence exchange: 1 party is required to provide the main basis documents and other materials;

(5) Court trial procedure: It generally includes opening statement, court debate, witness questioning and summary submissions, etc.

For civil litigation cases with relatively simple plots, the parties can choose not to open the court, and only record the testimony to the court to start the trial.

Arbitration

Arbitration Association. According to the types of cases accepted, it can be divided into general institutional arbitration and professional institutional arbitration. Malaysia does not have a national arbitration center. Professional arbitration institutions only accept arbitration cases related to designated industries. In addition, some professional organizations and chambers of commerce also have the right to conduct domestic arbitration in accordance with their own rules. For example, the Malaysian Construction Association, Engineering Survey Association, Palm Oil Refining Association and Rubber Trading Licensing Committee have established professional arbitration institutions to deal with the industry related trade disputes.

Chinese legal regulations. The *Arbitration Act (Amended in 2011)* stipulates arbitration procedures, arbitration time and costs, arbitration institutions' exemptions, and the award and enforcement of recourse. At the same time, it is stipulated that the parties can negotiate the arbitration method by themselves in accordance with the law and the terms signed by both parties.

Regulations concerning international arbitration. Malaysia is a signatory to the *New York Convention*. The place of arbitration is agreed by both parties, and the arbitration can be conducted in its own country or other countries. Malaysia is a signatory of the *Convention on the Settlement of Investment Disputes between States and Nationals of Other Countries* (referred to as the *Washington Convention 1965*). When investment disputes arise in Malaysia, investment disputes can be submitted to Washington for settlement in accordance with the Convention. The International Center for Investment Disputes arbitrates to resolve investment disputes and implement the results of the arbitration.

Asian International Arbitration Center (AIAC). The Asian International Arbitration Center (also known as the "Kuala Lumpur Regional Arbitration Center") is an intergovernmental organization that cooperates with the Malaysian government under the auspices of the Asian-

African Legal Consultative Organization (AALCO) to assist in the resolution of commercial disputes, and aims to provide a solution Dispute system to ensure that all parties properly handle disputes over interests related to trade, commerce and investment in the region.

Mediation

Mediation agency. According to the *Mediation Practice Guidelines* promulgated in 2016, Malaysia mainly provides 3 mediation methods, namely, court mediation, mediation by the Kuala Lumpur Regional Arbitration Center (KLRCA) according to the current KLRCA Mediation Rules, or mediation by the mediator of their choice.

(1) Court mediation. In a judge-led mediation, the hearing judge will no longer be the mediating judge, and the judge will refer the case to another judge for mediation. If the mediation fails, the case will be sent back to the original judge for trial.

(2) KLRCA mediation rules. If the Kuala Lumpur Regional Arbitration Center (KLRCA) is selected for mediation, the plaintiff's lawyer must notify the Kuala Lumpur Regional Arbitration Center (KLRCA) in writing within 7 days, and the Kuala Lumpur Regional Arbitration Center (KLRCA) will conduct mediation in accordance with the current mediation rules.

(3) Choosing a mediator for mediation. The parties can choose mediation by the mediator of the Malaysian Mediation Center (MMC). If the parties choose the Malaysian Mediation Center (MMC) for mediation, the plaintiff's lawyer must notify the Malaysian Mediation Center in writing within 7 days of the court's notice.

Mediation procedures.^① According to the *Mediation Act (2012)*, 1 party can mediate with the disputer by serving a written notice. The inviting party must specify the matters in dispute in the notice, and the other party can accept mediation by way of written notice. After the mediation starts, the 2 parties sign the mediation agreement, which lists matters such as the subject of the dispute, the appointment of the mediator, and the expenses to be borne by both parties. After the

① Legal Affairs Department of CCPIT, Studies on Laws of the "Belt & Road" Countries-Malaysia.

mediation is completed, if a settlement is reached, both parties must sign a settlement agreement. If the dispute has been brought to the court, the parties can apply to the court to record the settlement agreement as a basis for agreeing to the litigation settlement or court decision.

7.3 The International Commercial Dispute Prevention and Settlement Organization

Organization and Scope of Business

The International Commercial Dispute Prevention and Settlement Organization (hereinafter referred to as “ICDPASO”) is an international non-governmental and non-profit organization jointly initiated and established by China Council for the Promotion of International Trade (CCPIT) and China Chamber of International Commerce. In accordance with the concept of “Consultation, Contribution and Shared Benefits”, ICDPASO is composed of commercial institutions, trade associations, legal service providers as well as other entities in the field of international commerce around the world on the voluntary basis. On October 15, 2020, the Inauguration Ceremony of ICDPASO was successfully held in Beijing. At present, the secretariat of ICDPASO is officially operational.

ICDPASO is committed to providing the diversified services covering the international commercial dispute prevention and settlement, protecting the legitimate right of the parties, creating the business environment with high efficiency, fairness and justification, and facilitating the construction of a more justifiable and equitable international economic order. The headquarter of ICDPASO shall be located in Beijing, the People’s Republic of China.

The main organizational structures of ICDPASO include (1) the General Assembly of Members; (2) the Council; (3) Secretariat; (4) Advisory Committee; (5) the Committee of Supervision; (6) the business departments which include publicity and training, compliance construction, bankruptcy reorganization, proof of foreign law, commercial arbitration, commercial

mediation, investment disputes and other departments etc..

In accordance with the Charter approved by the First General Assembly, the Scope of business of ICDPASO including: To provide the service of international commercial dispute prevention and settlement subject to the relevant laws, including but not limited to the following activities: publicity and training, dialogue and consultation, construction of compliance of laws and regulations, pre-caution measures, promotion of the standard contract and multi-mechanism of dispute settlement including arbitration and mediation, ect.; To organize international conferences and seminars, to build up the platform for sharing and communicating the information and sources; To collect the opinions, suggestions and interest requests concerning the international commercial dispute prevention and settlement, and to participate in the international events relating to the deliberation, adoption and modification of international rules under the auspices of relevant international institutions or organizations; To make the publication of the statistical data and survey report concerning the international dispute prevention and settlement, to strengthen the capability of managing the information and analyzing the Big Data with respect to the international commercial cases; To cultivate legal talents with international vision, to promote the sharing of experiences and business cooperation among commercial organizations, dispute resolution institutes, academic institutions and think tanks around the world, and to jointly maintain a fair and stable international business transaction environment. ICDPASO is committed to resolving disputes in advance through dispute prevention on the one hand, and providing one-stop dispute resolution services for parties through diversified dispute resolution methods on the other.

Suggestions for Dispute Prevention and Settlement

(1) Any differences or controversies arising out of or in connection with in a commercial contract shall be eliminated by the dispute prevention services provided by the International Commercial Dispute Prevention and Settlement Organization (“ICDPASO”), including amicable

consultation, early intervention, conflict avoidance panels and early neutral evaluation.

(2) All disputes arising out of or in connection with the contract, shall be referred to mediation administered by the International Commercial Dispute Prevention and Settlement Organization (“ICDPASO”) in accordance with the Mediation Rules of ICDPASO in force at the time of filing application.

Any settlement reached during the mediation shall be made a settlement agreement on agreed terms, all parties shall earnestly implement and comply with the award.

In case of failure of the mediation process, the disputes shall be referred to arbitration administered by ICDPASO in accordance with the Arbitration Rules of ICDPASO in force at the time of filing application. The arbitral award is final and binding upon all parties.

(3) All disputes arising out of or in connection with the contract, shall be referred to and finally resolved by arbitration administered by the International Commercial Dispute Prevention and Settlement Organization (“ICDPASO”) in accordance with the Arbitration Rules of ICDPASO in force at the time of filing application.



Free Trade Agreements

8.1 Bilateral Free Trade Agreements

Malaysia has signed bilateral free trade agreements with Japan (2005), Pakistan (2007), India (2010), Chile (2010), Australia (2012), Turkey (2014) and New Zealand (2009).^① There are 3 free trade agreements under negotiation, including: Malaysia-Iran Partnership Trade Agreement (MIPTA), Malaysia-EU Free Trade Area Economic Partnership Agreement (MEEPA), and Malaysia-EU Free Trade Agreement (MEUFTA).

8.2 Multilateral Free Trade Agreements

Malaysia is one of the founding members of ASEAN and has joined the Organization of Islamic Conference' s Trade Preference System (TPS-OIC) and the Group of 8 Preferential Tariff Agreement (D-8PTA) for developing countries. In November 15, 2020, *the Regional Comprehensive Economic Partnership Agreement (RCEP)* was signed among 15 countries, including the 10 ASEAN countries (Singapore, Indonesia, Malaysia, Thailand, Brunei, Cambodia, Laos, Myanmar, the Philippines and Vietnam), as well as China, Japan, South Korea, Australia and New Zealand.

^① Malaysia-Iran Partnership Trade Agreement (MIPTA): mytraderepository.customs.gov.my/en/mfn/fta/Pages/fta_pg.aspx.

Table 8-1 Free Trade Agreements Signed by Malaysia^①

Bilateral Free Trade Agreements	Multilateral Free Trade Agreements
Malaysia-Japan Economic Partnership Agreement	ASEAN-Japan Comprehensive Economic Partnership
Malaysia-New Zealand Free Trade Agreement	ASEAN Free Trade Area
Malaysia-Pakistan Closer Economic Partnership Agreement	ASEAN-Korea Comprehensive Economic Cooperation Agreement
Malaysia-Australia Free Trade Agreement	Preferential Tariff Arrangement -Group of 8 Developing Countries
Malaysia-Chile Free Trade Agreement	ASEAN-India Comprehensive Economic Cooperation Agreement
Malaysia-India Comprehensive Economic Cooperation Agreement	ASEAN- Hong Kong, China Free Trade Agreement
Malaysia-Turkey Free Trade Agreement	ASEAN- People's Republic of China Comprehensive Economic Cooperation Agreement
-	ASEAN-Australia and New Zealand Free Trade Agreement
	Asia-Pacific Agreement
	Regional Comprehensive Economic Partnership

8.3 Regional Comprehensive Economic Partnership (RCEP)

Among the multilateral and bilateral free trade agreements signed by Malaysia, the *Regional Comprehensive Economic Partnership* (RCEP) is one of the most important.

Overview of RCEP

On November 15, 2020, the 10 ASEAN countries and the 5 countries including China, Japan, Korea, Australia and New Zealand signed the Regional Comprehensive Economic Partnership Agreement (RCEP). This is the most important achievement made in the construction of East Asian economic integration program in the past 20 years, marking the official launch of the free trade zone with the largest population, the largest size of economy and trade, and the most potential for development in the world. Currently, the total population, total GDP and total exports of the 15 member states of RCEP account for about 30% of the global total respectively.

RCEP consists of preamble, 20 chapters (including: initial clauses and general definitions,

^① Asian Development Bank: aric.adb.org/fta-country.

trade in goods, rules of origin, customs procedures and trade facilitation, sanitary and phytosanitary measures, standards, technical regulations and conformity assessment procedures, trade remedies, services trade, temporary flows of natural persons, investment, intellectual property rights, e-commerce, competition, small- and medium-sized enterprises, economic and technical cooperation, government procurement, general terms and exceptions, institutional terms, dispute resolution, final clauses), and 4 attached market access commitment sheets (including: tariff commitment sheet, specific service commitment sheet, commitment sheet on investment reservation and non-conforming measures, and specific commitment sheet on the temporary flows of natural persons).

RCEP allows the unity of high quality and inclusiveness. The share of final zero-tariff products in goods trade will exceed 90% overall, and the overall opening-up of service trade and investment will expand significantly. Meanwhile, RCEP also considers the national circumstances of different countries and grants special and differential treatment to the least developed countries to promote the inclusive and balanced development of the regions. As a result, all parties can fully share the results of RCEP and significantly improve the level of economic integration in East Asia.

RCEP will promote the integration of regional industrial chains, supply chains and value chains, and regional economic growth. The economic structures of RCEP members are highly complementary, with complete capital, technology, and labor elements in the region. RCEP has further relaxed the market access of goods, services, investment and other fields among member countries, gradually unified the rules of origin, customs procedures, inspection and quarantine, and technical standards, etc., significantly optimized the overall business environment in the region, greatly reduced the institutional costs of enterprises, strengthened the cooperation of members in the division of production, promoted the free flow of economic factors in the region, further enhanced the trade creation effect brought by the free trade agreement, and promoted the

expansion and upgrading of the consumer market in the region. According to the calculations by an internationally renowned think tank, by 2025, RCEP is expected to drive the exports, foreign investment stocks, and GDP of its member countries to increase by 10.4%, 2.6%, and 1.8% respectively from the baseline.

Malaysia's Commitments to RCEP

SCHEDULE OF TARIFF COMMITMENTS. From the date of entry into force, the tariff levied on goods of origin under this agreement are reduced, and the tariff details marked “U” in each phase of the concession are not included in any commitment to reduce or cancel the imposition of tariff.^①

Regarding the timing of tariff concessions, the non-linear gradual cancellation tariff price list listed in the *Schedule of Tariff Commitments of Malaysia* is subject to review by the relevant parties. The review will be completed within 3 years from the effective date of the *Regional Comprehensive Economic Partnership Agreement*. Unless otherwise agreed in the review, all linear phased content of the tariff lines shall commence within 3 years after the completion of review.

SCHEDULE OF SPECIFIC COMMITMENTS FOR SERVICES. The *Schedule of Reservation and Non-conforming Measures for Services and Investment of Malaysia*^②, adopts a “negative list” to sets out specific commitments related to market access, national treatment, most-favored-nation treatment, local presence, prohibition of performance requirements, senior management and appointment of board of directors are listed, for all types of trade in services and investment, including cross-border trade in services.^③

(1) Only Malaysian nationals or permanent residents can register a sole proprietorship or partnership in Malaysia. Foreigners can register a Limited Liability Partnership (LLP), but the

① Malaysia Tariff Commitment Form: www.miti.gov.my.

② Malaysia Service Specific Commitment Form: www.miti.gov.my/miti/resources/Services%20Sector/AFAS6/Malaysia_Schedules_of_Specific_Commitments.pdf.

③ Ministry of International Trade and Industry of Malaysia: www.miti.gov.my.

compliance officer shall be a citizen or permanent resident of Malaysia that resides in Malaysia.

(2) No foreign fishing vessel shall load or unload any fish, fuel, or supplies, or transcript any fish, or fish or attempt to fish or conduct any techno-economic research or waters survey of any fishery, in Malaysian fisheries waters unless authorized to do so.

An application for a permit to be issued in respect of a foreign fishing vessel to fish in Malaysian fisheries waters shall be made through a Malaysian agent who shall undertake legal and financial responsibility for the activities to be carried out by such vessel. For the purposes of this entry, “fishing vessel” means any boat, craft, ship, or other vessel which is used or equipped to be used for, or of a type used for: (a) fishing; or (b) aiding or assisting other boat, craft, ship or other vessel in the performance of any activity related to fishing, including any of the activities of preparation, processing, refrigeration, storage, supply, or transportation of fish.

(3) Only a person who is residing in Malaysia or is a permanent resident of Malaysia, and who is registered with the Intellectual Property Corporation of Malaysia (MyIPO), is allowed to carry out a business, practice, or act as a patent agent in Malaysia.

Only a person who is residing in Malaysia or is a permanent resident of Malaysia or has principal place of business in Malaysia, and who is registered with MyIPO, is allowed to carry out a business, practice, or act as a trademark, industrial design, or geographical indication agent in Malaysia.

Any person who is residing in Malaysia or is a permanent resident of Malaysia, or a company registered under Malaysian law, and carries on business in Malaysia, is allowed to act as a copyright representative.

(4) Any qualified persons, who are resident in Malaysia and registered with the relevant professional boards are allowed to provide consultancy practices and supply engineering, quantity surveying, land surveying, and architectural services.

Engineering services and architectural services must be authenticated by a registered professional in Malaysia.

Engineering, quantity surveying, and architectural consultancy practices must be registered with the relevant professional boards.

For each of these establishments, a two thirds majority of its directors shall be registered and authorised professionals. This shall also apply to multi-disciplinary practices (MDP) comprising registered and authorised professional architects, professional engineers, or quantity surveyors.

(5) Only registered persons and authorised foreigners registered with the Board of Valuers, appraisers, estate agents, and property managers can provide real estate services for a fee or on contract basis.

(6) Licences for the supply of telecommunications services in Malaysia are divided into individual licences and class licences, depending on the character of the service.

The following persons or classes of persons shall be ineligible to apply for an individual licence: (a) a foreign company defined under the *Companies Act 2016 [Act 777]*; (b) an individual or a sole proprietorship; (c) a partnership; and (d) such other persons or classes of persons as may be decided by the Minister from time to time.

The following persons or classes of persons shall be ineligible to be registered as a class licensee: (a) a foreign individual who is not a permanent resident; and (b) a foreign company as defined under the *Companies Act 2016 [Act 777]*.

(7) Others clauses.

SCHEDULE OF SPECIFIC COMMITMENTS FOR INVESTMENT. In the *Schedule of Reservations and Non-Conforming Measures For Services And Investment (Malaysia)*^①, minimum restrictions on market access, national treatment, most-favored-nation treatment, prohibition of performance requirements, senior management and board of directors, etc. are listed, and measures not be bound by some or all of the obligations specified in the table are provided according to the Reservations And Non-Conforming Measures.

① Schedule of Reservations and Non-conforming Measures for Services and Investment Malaysia: <https://rcepsec.org/wp-content/uploads/2020/11/Malaysia-Schedule-of-Reservations-and-Non-Conforming-Measures-for-Services-and-Investment.pdf>.

(1) At least one director of a private company incorporated in Malaysia shall ordinarily reside in Malaysia by having a principal place of residence in Malaysia. At least two directors of a public company incorporated in Malaysia shall ordinarily reside in Malaysia by having a principal place of residence in Malaysia.

(2) Foreigners are not allowed to act as customs agents and brokers. Foreigners are not allowed to own more than 49 per cent of equity shareholding in any entity providing and supplying customs agents and brokers services.

(3) Any entity incorporated in Malaysia, whose foreign equity exceeds more than 30 per cent by way of a joint venture corporation or consortium with Malaysian individuals or Malaysian-controlled corporations, is subject to the registration requirements by CIDB.

(4) Foreigners are not allowed to own more than 49 per cent of equity shareholding in any entity providing and supplying freight transportation services covering transportation of containerised freight based on a fee or contractual basis.

(5) Foreign equity is restricted to no more than 30 per cent for the manufacture of batik fabric and apparel of batik.

(6) Acquisitions or dealings of land or activities on land by non-citizens and juridical persons owned by foreign nationals must be approved by the relevant state authority, subject to such conditions and restrictions as may be imposed by that authority.

(7) Others clauses.

SCHEDULE OF SPECIFIC COMMITMENTS ON TEMPORARY MOVEMENT OF NATURAL PERSONS. Malaysia makes temporary entry and residence commitments for the following 3 categories of personnel: business visitors could stay for a maximum of 90 days; the first period of residence for intra-corporate transferees personnel is 2 years, which could be extended every 2 years; the period of residence for installation and service personnel is the same as the contract period, and does not exceed 3 months.^①

^① Schedule of Specific Commitments on Temporary Movement of Natural Persons Malaysia: <https://rcepsec.org/wp-content/uploads/2020/11/Malaysia-Schedule-of-Specific-Commitments-on-Temporary-Movement-of-Natural-Persons.pdf>.



Support Measures against COVID-19

9.1 Economic Security Policies

In order to alleviate the economic impact of COVID-19, the Malaysian government has successively launched a series of economic stimulus plans in 2020, covering financial subsidies, tax incentives and other aspects.

Fiscal Subsidy Program^①

In 2020, the Malaysian government launched a total of 5 rounds of financial subsidy programs.

A fiscal stimulus package of RM 6 billion was approved in February 2020, including increased health spending; temporary tax and social security relief; cash transfers to affected sectors; and rural infrastructure spending.

A second stimulus package of RM 25 billion was released in March 2020, including additional health spending; cash transfers to low income households; wage subsidies to help employers retain workers; and infrastructure spending in East Malaysia.

A third stimulus package of RM 10 billion was released in April 2020, including grants for micro SMEs, scaled-up wage subsidies, and a 25 percent discount on foreign workers' fees.

① International Monetary Fund: www.imf.org.

A fourth stimulus package of RM 21 billion was released in June 2020, which includes an extension of the wage subsidies scheme, hiring and training subsidies, support for business digitalization, etc.

A fifth stimulus package of RM 10 billion was released in September 2020, which includes a further extension of the wage subsidies scheme and microgrants for entrepreneurs, and a new round of cash transfer to lower income households.

Prihatin Rakyat Economic Stimulus Package^①

In March 2020, the Malaysian government launched the *Prihatin Rakyat Economic Stimulus Package (PRIHNTIN Rakyat)* to provide financial subsidies to small, medium and micro enterprises and low and medium-income groups. According to the plan, the government allocated RM 600 million to provide cash subsidies to more than 200,000 small and medium-sized enterprises in Malaysia; at the same time, it allocated RM 155 million for special grants and RM 2.4 billion for wage subsidy programs for domestic enterprises and set up the National Care Assistance Fund (BPN) for RM 7 billion.

National Investment Fund^②

In July 2020, the Malaysian government set up a RM 1.2 billion investment fund (Dana Penjana Nasional), of which RM 600 million comes from the domestic government, and the rest comes from domestic and foreign institutional investors. The Investment Fund aims to promote the digital transformation and development of domestic enterprises, and develop seed funds or co-creation funds, A/B rounds of funds, growth technology funds, venture funds, and other opportunity industry funds (such as e-sports and medical health, etc.).

① The Prime Minister's Office of Malaysia: www.pmo.gov.my.

② Malaysian Ministry of Finance: www.penjanakapital.com.my.

9.2 Economy Revitalization Measures

National Fiscal Budget 2021^①

In November 2020, the Federal Ministry of Finance of Malaysia issued the *2021 National Budget* (hereinafter referred to as the “Budget”), clarifying that the national financial expenditure in 2021 will be mainly made on the 3 major goals of ensuring people’s welfare, maintaining market stability, and restoring economic flexibility. The *Budget* stipulates that 73.30% of the annual fiscal budget will be used for operational expenditures, 21.40% for research and development expenditures, and 5.30% for the establishment of a special fund for the COVID-19 epidemic, and to carry out investment and other businesses in Malaysia in the post-epidemic era. Active non-resident enterprises formulate the following preferential policies:

(1) Relevant companies operating in the Labuan International Business and Financial Center will be taxed at the corporate income tax rate of 10% from January 1, 2021 to December 31, 2025.

(2) Related companies conducting business in major hubs/regional centers: The corporate income tax deduction period is extended to December 31, 2022.

(3) For related companies engaged in the core position of global biotechnology (Bionexus), related companies located in the development zones of the Malaysian Economic Corridor, aerospace companies carrying out MRO activities, or companies engaged in ship construction and repair, corporate income tax will be exempted from the promulgation date to December 31, 2022.

(4) Pharmaceutical manufacturers (including vaccine production-related enterprises): The income tax rate for the first 10 years ranges from 0% to 10%, and the income tax rate for the next 10 years is 10%. The specific tax rate depends about each enterprise.

① Malaysian Ministry of Finance: www.belanjawan2021.treasury.gov.my.

National Economic Recovery Plan (PENJANA)^①

In June 2020, the Malaysian government promulgated the *The National Economic Recovery Plan* (PENJANA), formulating 40 measures to promote the country's economic recovery, and they will be completed by December 2021. The main goals of the plan are to help people increase their rights and energy, promote business and stimulate the economy. The main measures involving non-resident investors include:

(1) New investment projects in the manufacturing industry with an investment between RM 300 and 500 million can receive a full income tax deduction for a period of 10 years;

(2) New investment projects in the manufacturing industry with an investment of more than RM 500 million can receive a full 15-year income tax deduction. If enterprises that have established commercial entities in Malaysia relocate their overseas equipment and facilities to Malaysia and have a capital investment of more than RM 300 million, they can get 100% investment tax deduction for a period of 5 years;

(3) Enterprises that carry out manufacturing and specific agricultural activities in the 2020 and 2021 tax years can enjoy special reinvestment tax relief.

(4) Small and medium-sized enterprises that have completed mergers and acquisitions between July 1, 2020 and June 30, 2021, can be granted full exemption from stamp duty for a period of 1 year.

① The Prime Minister's Office of Malaysia: www.pmo.gov.my.



Contact Information of Relevant Departments and Institutions

10.1 Contact Information of Government Departments and Related Institutions

All government department websites, departments, contact information of key staff and other information are available from the official website of the Malaysian government (www.malaysia.gov.my).

Table 10-1 Contact information of some government departments and related institutions in Malaysia

Department/agency	Telephone	Website
Prime Minister's Department	+603 8000 8000	www.pmo.gov.my
Ministry of Foreign Affairs	+603 8000 8000	www.kln.gov.my
Ministry of Finance	+603 8000 3000	www.treasury.gov.my
Ministry of Defense	+603 2059 8400	www.mod.gov.my
Ministry of Home Affairs	+603 8000 8000	www.moha.gov.my
Ministry of Urban Wellbeing, Housing and Local Government	+603 8000 8000	www.kpkt.gov.my
Department of Statistics	+603 8885 7000	www.dosm.gov.my
Ministry of Works	+603 8000 8000	www.kkr.gov.my
Ministry of International Trade and Industry	+603 6200 0200	www.miti.gov.my
Malaysia External Trade Development Corporation	+603 6207 7077	www.matrade.gov.my
Inland Revenue Board of Malaysia	+603 8911 1100	www.hasil.gov.my
Immigration Department of Malaysia	+603 8880 1449	www.imi.gov.my
Malaysian Investment Development Authority	+603 2267 3633	www.mida.gov.my
Ministry of Human Resources	+603 8000 8000	www.mohr.gov.my

Continued

Department/agency	Telephone	Website
Ministry of Education	+603 8884 6000	www.moe.gov.my
Ministry of Natural Resource and Environment	+603 8000 8000	www.ketsa.gov.my/en-my/Pages/default.aspx
Ministry of Transport	+603 8000 8000	www.mot.gov.my
Ministry of Health	+603 8000 8000	www.moh.gov.my
Royal Malaysian Customs Department	+603 8882 2100	www.customs.gov.my
Ministry of Domestic Trade and Consumer Affairs	+603 8000 8000	www.kpdnhep.gov.my
The Ministry of Energy, Science, Technology, Environment & Climate Change	+603 8000 8000	www.mestecc.gov.my
Malaysian Communications and Multimedia Commission	+603 8000 8000	www.mcmc.gov.my
Ministry of Entrepreneur Development and Cooperatives	+603 8000 8000	www.medac.gov.my
Central Bank of Malaysia	+603 2698 8044	www.bnm.gov.my
Companies Commission of Malaysia	+603 7721 4000	www.ssm.com.my/Pages/Home.aspx
Malaysian Construction Industry Development Board	+603 5567 3300	www.cidb.gov.my
Intellectual Property Corporation of Malaysia	+603 2299 8400	www.myipo.gov.my
Malaysia Digital Economy Corporation Sdn Bhd	+603 8315 3000	www.mdec.com.my
Port Klang Authority	+603 3168 8211	www.pka.gov.my
Malaysia Social Security Organization	+603 4264 5000	www.perkeso.gov.my
Securities Commission	+603 6204 8777	www.sc.com.my
Energy Commission	+603 8870 8500	www.st.gov.my
Economic Planning Unit	+603 8888 3333	www.epu.gov.my
Ministry of Agriculture and Agro-Based Industry	+603 8000 8000	www.moa.gov.my
Machinery and Equipment Manufacturers Association	+603 3349 5493	mema.org.my
Kumpulan Wang Simpanan Pekerja	+603 8922 6000	www.kwsp.gov.my
Malaysia Digital Economy Corporation Sdn Bhd	+603 8315 3000	mdec.my
Public Service Department	+603 8000 8000	www.jpa.gov.my
Malaysian Quarantine and Inspection Services	+603 8870 1000	www.maqis.gov.my
Department of Veterinary Services	+603 8870 2000	www.dvs.gov.my
Department of Islamic Development Malaysia	+603 8892 5000	www.halal.gov.my
Malaysian Anti-Corruption Commission	+603 8870 0000	www.macc.fm

10.2 Contact Information of Business Association and Service Provider

Table 10-2 Contact information of some chambers of commerce, association and service providers in Malaysia

Name	Telephone	Website
Bursa Malaysia	+603 2732 0067	www.bursamalaysia.com
Malaysian Oil & Gas Services Council	+603 2181 8781	www.mogsc.org
The National Tech Association of Malaysia	+603 7622 0079	www.pikom.org.my
The Electrical and Electronics Association of Malaysia	+603 9221 4417	www.teeam.org.my
Human Resources Development Fund	+603 2096 4999	www.hrdf.com.my
Federation of Malaysian Manufacturers	+603 6286 7200	www.fmm.org.my
Association of Malaysian Medical Industries	+603 0404 0662	www.ammi.com.my
The Association of Consulting Engineers Malaysia	+603 6413 1503	www.acem.com.my
Federation of Malaysian Consumers Associations	+603 7876 2009	www.fomca.org.my/v1
Malaysian Bar	+603 2050 2050	www.malaysianbar.org.my
The Asian International Arbitration Centre (Malaysia)	+603 2271 1000	www.aiac.world
Malayan Banking Berhad	+603 7844 3696	www.maybank2u.com.my
CIMB Bank Berhad	+603 6204 7788	www.cimbclicks.com.my
Public Bank	+603 2179 5000	www.pbebank.com



Appendix

Frequently Asked Questions

1. What is the difference between different types of work permits in Malaysia?^①

Types I and II work permits: The spouse and children under 18 years of age of the holder are eligible to obtain the family pass, and the unmarried children of the holder of the work permits who are over 18 years old are eligible to obtain the long-term visit pass. Hire foreign maids.

Type III work permit: Holders are not allowed to bring their family members to Malaysia, and are not allowed to hire foreign maids.

2. How to immigrate to Malaysia?^②

Three ways to immigrate to Malaysia:

(1) Malaysia My Second Home (MM2H) programme: An international residence programme initiated by the Malaysian government that allows foreigners to live in Malaysia with a long-term visa for up to 10 years. Applicants must be between 20-49 years old and have a bank deposit of at least RM 300,000. Those who have obtained immigration qualifications can simultaneously apply for their children under 21 years of age and their parents over 60 years of age, as well as the right of a nanny to settle in Malaysia for a long time.

(2) My Permanent Resident (MyPR): A permanent resident identity card granted by the

① Ministry of Human Resources of Malaysia: www.mohr.gov.my.

② Immigration Department of Malaysia: www.imi.gov.my.

Malaysian government to foreigners is valid during their lifetime. The Immigration Department of Malaysia stipulates that there are 4 categories of applicants that can apply for MyPR: investors or experts; professionals; foreign spouses of Malaysian citizens and children of domestic citizens under the age of 6; foreigners with a score of 65 points and^① above under the Malaysian immigration scoring standard.

(3) Malaysian Residence Permit-Talent (RP-T): A 10-year renewable residence permit designed to provide high-quality foreigners with attractive residence benefits, allowing the holders to be flexible during the validity period Change employers.

3. How is Malaysia's education system?^②

Malaysia implements a national basic education system based on public education, and implements both public education and private education in the field of higher education. Famous public universities in Malaysia include University of Malaya, National University of Malaysia, University of Putra Malaysia, and University of Technology Malaysia.

In 1997, the Malaysian government passed the *Private Education Act*, which provides legal protection for the development of private higher education. Private institutions in Malaysia generally cooperate with institutions of higher learning in Europe, America, Australia and New Zealand to offer credit transfer and dual courses. The Malaysian Qualifications Agency (MQA) under the Ministry of Education of Malaysia is responsible for the supervision and evaluation of the curriculum, tuition and teaching level of private education institutions.

4. How is Malaysia's medical and healthcare quality?^③

Relying on the strong support of the government, Malaysia has relatively abundant medical

① The maximum score of the Malaysian immigration scoring system is 120. The main scoring items are: years of stay in Malaysia, proficiency in Malay, work experience in Malaysia, relatives in Malaysia, academic qualifications, investment amount in Malaysia, and the number of Malaysian citizens employed, etc.

② Ministry of Education of Malaysia: www.moe.gov.my/menunedia/media-cetak/penerbitan/dasar/1207-malaysia-education-blueprint-2013-2025/file.

③ CCPIT, Guide on the Business Environment of Foreign Countries for Investors-Malaysia (2019).

resources. There are more than 8,000 hospitals and clinics of various types. Of them, 150 of more than 350 hospitals are public hospitals, and 8 of the public hospitals are accredited by the International Federation of American Medical Institutions (JCI).

There are 33 medical universities in Malaysia with many doctors and high professional requirements. Since Malaysia is a member of the Commonwealth of Nations, many languages such as English and Chinese are commonly used in medical institutions. In recent years, the government has vigorously promoted the development of medical tourism, and Malaysia has become the only country in Asia where the National Health Administration instead of the Tourism Bureau promotes the medical tourism industry.

5. What are the main transportations in Malaysia?

In the east coast of East Malaysia and Peninsular Malaysia, there are relatively few flat highways, and boats and trains are the main means of transportation for residents.

Kuala Lumpur has a dense light rail network. In addition, the bus is also one of the indispensable means of transportation in Kuala Lumpur, and compared with the subway, the area covered by it is denser. Buses are generally divided into 3 types: intercity long-distance buses, buses between the city and the suburbs, and intra-city buses.

6. How to buy a car in Malaysia?

To buy a car in Malaysia, investors need to prepare the following materials: passport; valid driving license; salary slips and bank statements for the past 3 months; employer certificate; work permit certificate (if loan is required). In addition, drivers under the age of 21 need a Malaysian citizen as a guarantor, providing the guarantor's ID, driving license, salary slips and bank statements for the past 3 months.

In Malaysia, investors can go directly to the local brand car shop to buy a new car. If investors want to buy a used car, investors can log on to the Carsome, Mudah and Carlist websites to find

out the resale information of foreigners who are about to leave. In Malaysia, when purchasing a car, the car seller is responsible for paying the first road income tax and is responsible for the change registration of the vehicle with the Malaysian Road Transport Department. After the purchase is successful, the Malaysian car registration card will be issued by the Ministry of Roads and Transport as the registration certificate for the owner and car information. According to the *Road Traffic Act 1987*, Malaysia recognizes valid driving licenses issued in English or Malay in some countries (for country directory: cir.ump.edu.my/images/FOREIGN_LICENSE_RECOGNITION.pdf).