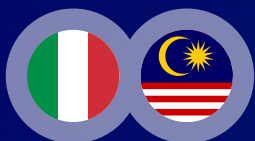


MALAYSIA BUSINESS GUIDE



2024



Consiglio Nazionale
dei Dottori Commercialisti
e degli Esperti Contabili



Fondazione
Nazionale dei
Commercialisti

RICERCA

MALAYSIA BUSINESS GUIDE



2024



Consiglio Nazionale
dei Dottori Commercialisti
e degli Esperti Contabili



**Fondazione
Nazionale dei
Commercialisti**

RICERCA

The institutional missions of professionals in favor of internationalization, promoted by AICEC and CNDCEC as part of their strong commitment to developing the necessary skills to support its clients, continue with success.

This year the choice fell on Malaysia. Southeast Asia continues to be an area of great attraction for companies' investments for many reasons, ranging from its geographical location, the efficiency of integrated services, the wide availability of skilled labor and a good system of tax incentives.

One point high on CNDCEC agenda is to create new opportunities for its members, and we remain firmly convinced that a continued and increased support to the activities related to internationalization through a specific education program is a key factor.

AICEC and our national committees dealing with internationalization have organized short-masters and courses that offer members extensive training on specific issues on the topic, also in collaboration with the Observatory, a dedicated body comprising several institutions that pursue specific policies and provide funding to support companies. It is essential for the accountant to keep always up to date so to be able to seize the considerable opportunities of a rapidly evolving profession.

I am convinced that, also this mission, like the previous ones, will be a success and provide numerous colleagues with concrete and necessary help.

Elbano de Nuccio

*President of Consiglio Nazionale
dei Dottori Commercialisti
e degli Esperti Contabili*

ISBN 978-88-99517-56-4

© Copyright Fondazione Nazionale di Ricerca dei Commercialisti.

Edited by Fondazione Nazionale di Ricerca dei Commercialisti.

Thanks for the collaboration and support



We thank Dezan Shira and Associates and EffCom Corporate Services for the contributions provided



October 2024

Table of Contents

Presentation	9
1. Country presentation	11
1.1. Malaysia: geographical and cultural diversity	11
1.2. The political system	11
1.3. The legal system	12
1.4. The economic system	13
1.5. The banking system	14
1.6. The flag and the currency	15
1.7. Malaysia in ASEAN	16
1.8. Economic relations with Italy	16
1.9. The protection of intellectual property	17
2. Setting up a business in Malaysia	19
2.1. Foreign investments in Malaysia: rules and procedures	19
2.2. Representative office	19
2.3. Branch	19
2.4. Incorporation of a company	20
2.4.1. Company limited by shares (Sendirian Berhad)	20
2.4.2. Public limited company (Berhad)	21
2.4.3. Company limited by guarantee (CLBG)	21
2.4.4. Unlimited liability company	21
2.4.5. Sole proprietorship	22
2.4.6. Partnership	22
2.4.7. Limited Liability Partnership (LLP)	22
2.4.8. Incorporation of a company limited by shares (Sendirian Berhad): operational steps	22
2.5. Main changes introduced by the Companies (Amendment) Act 2024	23
3. The taxation system	24
3.1. Tax residences	24
3.1.1. Tax resident companies	24
3.1.2. Tax resident individuals	24
3.1.3. Advantages of being tax resident	25
3.2. Corporate income tax	25

3.3. Individual income tax	26
3.4. Other taxes	27
3.4.1. Sales tax	27
3.4.2. Service tax	27
3.4.3. Withholding tax	27
3.4.4. Capital gains tax	28
3.4.5. Real property gains tax	29
3.4.6. Import Duties	29
3.4.7. Excise Duties	29
3.5. Regulatory compliance for companies	30
3.5.1. Audit of financial statements	30
3.5.2. Annual general meeting and the dissemination of the financial statements	30
3.5.3. Taxation	30
3.5.4. Exemption from audit	31
3.5.5. Accounting standards	32
3.5.6. Annual submissions to the CCM	32
3.5.7. Employer's responsibilities	33
3.5.8. Sanctions in the event of non-compliance	33
4. The labour market	34
4.1. The main employment laws in Malaysia	34
4.2. The Employment Contract in Malaysia (outline)	35
4.2.1. Weekly working hours	36
4.2.2. Minimum wage, pay slip and salary payment methods	36
4.2.3. Overtime	37
4.2.4. Child labour laws	37
4.2.5. Free time and breaks	38
4.2.6. Sickness leave	39
4.2.7. Parental leave	39
4.2.8. Leave for study purposes	39
4.2.9. Extraordinary leave	40
4.2.10. Annual leave and Festive Days	40
4.2.11. Public holidays	40
4.2.12. Notice period	41
4.2.13. Dismissal	41

4.3. Health insurance	42
4.4. Employment insurance	42
4.5. Pension funds	42
4.6. Visas for foreign workers	44
5. Forms of incentives and aids to investors and enterprises in Malaysia	49
5.1. Tax exemptions and Incentives for Investors	49
5.2. Incentives for the Manufacturing and Logistics Sector	50
5.3. Special Economic Zones and Development Corridors	50
5.4. Support to Start-ups and Small and Medium Enterprises (SMEs)	51
5.5. Labour Training and Development	51
6. Free Trade Agreements and Malaysia's Strategy	52
6.1. Malaysia, a pillar of global trade	52
6.2. Malaysia's Free Trade Agreements (FTAs)	53
6.3. Malaysia and the European Union	54
6.4. Free Trade Agreement between Malaysia and EFTA	55
6.5. Malaysia's strategy	56

Presentation

Dear colleagues,

We are happy to present you, once again, the distinctive characteristics and opportunities offered by the country chosen for this new AICEC mission for autumn 2024, Malaysia. Our desire has been again to put an emphasis on Southeast Asia, in light also of the continuing geopolitical tensions that continue to flare up and are before our eyes, and that very often lead our companies to (re)design different geographies for international trade and for their internationalization projects, so that we – in our capacity as specialized and unquestionably trusted advisors to our clients - must always be ready to provide assessments and alternatives when we are involved in the decisions that entrepreneurs intend to make and that concern the above-mentioned matters.

Our national economy is based for more than a third on the value of exports, and the many Italian SMEs that are our clients are appreciated worldwide for their enormous capabilities of transformation; therefore, it seems more than evident how the support that professionals can also provide to the growth - both in terms of structure and exported value - of these small exporting companies becomes fundamental for the whole national system. The growth, in terms of skills, of these small realities also takes place with the contribution that AICEC, with the continuing and unflagging support of its founding members, seeks to provide to professionals through its initiatives that tend to promote the culture of internationalization in order to increase the level of awareness necessary to deal with foreign countries, as much in terms of the location of one's output as with reference to supply markets.

In the current geographical scenario in which the countries of the ASEAN area play a fundamental role in terms of size of the population, trade opportunities and existing partnership agreements, we have chosen to focus our attention on Malaysia, which represents one of the most relevant players in the area and offers, as also reported by the Italian Ministry of Foreign Affairs, a series of advantages not easy to find in the region: a strategic geographic location, greater openness to international trade, a good infrastructure system being upgraded to increase its efficiency, the presence of an advanced manufacturing industry and of companies able to offer integrated and flexible logistics services, the wide availability of skilled labor and a good system of tax incentives.

In consideration also of other important factors, such as the remarkable dynamism of the service sector, the relatively low costs of the real estate market, a high level of per capita income that ensures high consumption and an excellent cost/quality of living ratio, certainly Malaysia deserves being visited and carefully considered since it undoubtedly

constitutes an attractive country, including for the production of technologically advanced goods for regional and international markets.

From export to foreign settlement, passing through the various intermediate stages of the complex internationalization process, as mentioned above, the contribution of the accountants remains crucial, since we are the natural interlocutors of SMEs and an increasingly established reference also for the institutional actors operating in the internationalization sector, who now consider us a particularly valuable asset to the entire system. Also for this reason, we want to express our sincere gratitude to the Italian Embassy in Kuala Lumpur and to the entire Italian diplomatic network abroad, which always endorses our initiatives, intervening in first person to witness the effectiveness of the Sistema Italia in supporting Italian companies interested in establishing relationships with foreign counterparts.

The achievement of this important acknowledgement by the institutional actors supporting the internationalization of businesses and professionals has been one of the main objectives of the work carried out by AICEC and CNDCEC from the very beginning. Of course, all this has been made possible thanks to the seriousness and competence of our work in providing all the necessary information to support our companies in their approach to foreign markets, but also, and above all, thanks to your ever-increasing participation in our initiatives, which has been, and still is, a strong stimulus for us in offering qualified training and information and a challenge to try to provide skills that are appropriate to the changes taking place.

I wish you a good reading and sincerely thank you for your attention and support.

Giovanni Gerardo Parente

President of Associazione Internazionalizzazione

Commercialisti ed Esperti Contabili

1. Country presentation

1.1. Malaysia: geographical and cultural diversity

Malaysia, commonly referred to in Italian as Malesia, is a country situated in South-East Asia composed of thirteen states and three federal territories.

The first particular feature of this country is the fact that it is composed of two distinct regions: Peninsular Malaysia and Eastern Malaysia. These two parts are 650 km apart, separated by the South China Sea.

Peninsular Malaysia is situated to the south of Thailand and north of Singapore and shares maritime borders with Singapore, Vietnam and Indonesia. East Malaysia, on the other hand, occupies the northern part of the island of Borneo and shares maritime and land borders with the Philippines and Vietnam.

The capital is Kuala Lumpur, while Putrajaya, situated slightly north of the capital, is the seat of the federal government.

The country is, moreover, well-known for being characterised by a multinational population. The population is mainly composed of Malaysians, followed by Chinese, Indians, Aboriginal and other indigenous peoples. Although the official religion is Islam, other religions are practised freely and in a very authentic and heartfelt way by the different communities, generating an atmosphere of peaceful coexistence between different cultures and religious beliefs. This multiculturalism produces a mix of traditions, festivals, languages, art, food, architecture and much else besides, representing the spirit of diversity and racial unity that makes Malaysia unique and truly authentic.

1.2. The political system

From an institutional point of view, Malaysia is an elective constitutional monarchy. Specifically, it's a federation of constitutional monarchies the head of which is elected, with a mandate of five years, with a secret vote, between the hereditary sovereigns of nine of the thirteen states that make up the federation.

It is, however, a unique form of rotating monarchy, in which the heads of the nine royal families of the country alternate to become king for a reign of five years.

The sovereign exercises a rather formal role; recently this role has acquired a certain even substantial importance due to the considerable instability of the governments in

power. He holds executive and legislative power which he exercises together with the Government and Parliament. The federal constitution, in fact, requires him to act on the advice of the Prime Minister and the Cabinet.

For its part, Parliament is composed of two Chambers, the House of Representatives (Dewan Rakyat-the lower chamber) which is the main legislative body and is formed by 219 members, and the Senate, whose 69 members are appointed by the head of the Federation and by the members of parliament of the individual states. The Senate holds exclusively the power to suspend the legislature.

The prime minister can be appointed by the sovereign from among those whom he believes can represent the largest party in the House of Representatives. This power has almost never been used as the prime minister is usually chosen through a general election.

Every State has, moreover, its own executive bodies, such as the Ministerial Cabinet and the Council of Ministers, besides a single-chamber legislative body of variable composition, whose members are elected for a period of five years with direct universal suffrage (except those of the Sabah region).

Administration at local level is assigned to individual municipalities and city councils.

1.3. The legal system

Malaysia has a legal system based on English common law, which can be defined as double-track, in the sense that, on the one hand there are the Islamic criminal and family laws, also regarding the practice of the religion, applicable to Muslims and enacted by state legislatures, and on the other hand, the civil laws approved by the Malaysian Parliament. As a general rule, all those belonging to the Malay ethnic group are considered Muslims.

The supreme law of Malaysia is the Malaysian Constitution which contains a total of 183 articles. The constitution came into force in 1957 and was then modified in 1963.

Specifically, the legal system is organised as follows:

- a. Federal Court
- b. Court of Appeal
- c. High Courts

The Sharia courts, on the other hand, include the Sharia Court of Appeal, and subordinate Sharia courts.

The decisions of the Sharia courts cannot be appealed against in civil courts.

In Malaysia the criminal legal system was introduced by the British Empire and imposed the mandatory death penalty in cases of murder. The death penalty was subsequently extended to as many as 34 charges of which 12 required it to be mandatory. In 2023, however, the House of Representatives approved the law that cancelled the mandatory death sentence for 12 crimes, including drug charges, for which the majority of capital punishment sentences were passed. A moratorium on executions, moreover, has been in force since 2019.

Finally, given the difficult coexistence between civil laws and Islamic laws, the Malaysian Government is committed to ratifying the application of Koranic law to the Constitution in the various federal states by 31 December 2024.

1.4. The economic system

Malaysia can be defined as a medium-high-income country, as well as one of the most developed economies of South-East Asia. It was numbered, in fact, among medium-high-income countries already towards the end of the 1990s, and in the last thirty years it has passed through a period of significant economic development, sustained, on the one hand, by the extraction and export of the country's abundant natural resources (especially oil and natural gas), and on the other hand, by state interventions in the economy through the presence of numerous state-owned companies.

Over the years, in fact, the country has managed to diversify its economy, moving from dependence exclusively on the export of raw materials, to arrive at the production of electronic components with high value-added, industrial products, machinery and also tourism, university education and telemedicine.

In the last few years, in fact, Malaysia has become a crucial hub on a global level in the semiconductor and electronic components sector, as well as one of the top countries in South-East Asia for the assembly and production of vehicles.

Malaysia has, moreover, invested in strengthening the services sector, has improved its road, railway, port and airport system, adapting it to business and tourism needs; modern and sophisticated satellite and internet communication systems have also been developed.

Confirming the good-quality structural systems present on the Malaysian territory, according to the World Bank, Malaysia can be considered as one of the most open economies in the world, with its opening up to foreign trade and investments contributing to the creation of jobs and the country's economic growth. Today, in fact, Malaysia is an

alternative destination for investors that want to delocalise their production plant and seek to minimise their dependence on the Chinese market.

Finally, Malaysia is famous for having created the first Digital Free Trade Zone, a free zone intended for companies operating in the e-commerce sector and set up together with the Alibaba group. Specifically, with the DFTZ, Malaysia aims to help SMEs obtain better access to a dynamic supply chain ecosystem which would otherwise be open only to large companies.

In particular, the SMEs established there can enjoy a geographically strategic position, a unified government services platform, an integrated digital electronic services platform as well as access to the traffic of other Alibaba markets such as Tmall and Taobao.

In addition, the SMEs situated in the DFTZ will form part of Alibaba's OneTouch electronic services platform and will be directly connected to its head office through its global e-commerce platform. Once registered on the DFTZ, enterprises can benefit from a series of special promotions for Malaysian brands, besides the possibility of using an integrated platform through which to market their own products, receive orders and payments.

1.5. The banking system

The Central Bank of Malaysia is the Malaysian state bank and the only one authorised to issue money and manage the country's international reserves, besides enjoying independence from political power and other financial institutions.

The activity of the Central Bank, regulated by the Central Bank of Malaysia Act (CBA) 2009, aims to promote monetary and financial stability.

As a bank institute and government advisor, the Malaysian Central Bank also provides advice on macroeconomic policies and public debt management.

The Governor, appointed by the Sultan, is responsible for the management of the Bank and the fulfilment of its mandates. In the performance of these duties, he/she is assisted by a top management team composed of Vice Governors appointed by the Ministry of Finance.

Given Malaysia's multiethnic character, within the Central Bank's organisation chart there is the Sharia Consultative Council which plays an important role in ensuring the consistent application of Sharia decisions on the part of the country's Islamic financial institutions. Sharia decisions by the Council serve as the main reference for Islamic financial institutions in order to guarantee end-to-end conformity to the Sharia in the structuring of products and in the implementation of their financial activities. In addition, the CBA (Central Bank of Malaysia Act) 2009 requires that questions relating to the Sharia

taken to court or raised in any arbitration procedure must be deferred to the Sharia Advisory Council for clarity and certainty.

The Council is also attributed the task of specifying the essential characteristics of contracts taking into consideration the various positions of the Sharia, the results of research, as well as market customs and practices. The components of the Sharia Advisory Council are appointed by the Sultan on the advice of the Ministry of Finance and after having consulted the Bank.

Under the Central bank, the Malaysian banking system is structured into a series of commercial banks, Islamic banks (some of which are international), investment banks, as well as insurance institutions.

It is possible to carry out transactions from one currency to another through authorised banks and it is also possible to hold deposits or credit positions in foreign currency. With regards to access to credit, it should be noted that the banking system does not support foreign investments in the absence of local partners.

1.6. **The flag and the currency**

The Malaysian flag, known as Jalur Gemilang (Glorious Stripes), as we see it today, was adopted on 16 September 1963 and represents a strange combination between United States inspiration and a reference to Islam. In the top left-hand corner, there's a blue rectangle with a golden moon crescent and a 14-point star called Bintang Persekutuan (Star of the Federation). The blue field represents the unity of the Malaysian population, the star with its 14 points symbolises the unity between the 13 states of the federation and the federal government, while the moon represents, in fact, a clear reference to Islam, underlining how the majority of the population is of Muslim faith. In the same way, a bit like the American stars and stripes, the 14 white and red stripes represent the states that originally made up the country, today 13 following the exit of Singapore in 1965.

The red colour of the stripes indicates courage, white purity and blue the unity of the Malaysian people. The yellow colour of the moon and the star is the royal colour of the sovereigns of Malaysia.

The official currency of Malaysia is the Malaysian ringgit ("knurled"), known by the official abbreviation RM, and is divided into 100 sens (cents). Its international acronym is MYR.

It's a rather recent currency, in fact. It has only been in circulation since 1967, replacing the Malaya and British Borneo dollar, with which the exchange rate was carried out at par and is still maintained today. The ringgit is divided into coins and banknotes of different

denominations: those most often used are, for coins, 5, 10, 20 and 50 sen; for the banknotes, the denominations are 5, 10, 50 and 100 RM.

The banknotes are distinguished by colours that date back to colonialism: green for the 5 RM denomination, red for those of 10, blue for those of 50 and purple for the 100 RM notes.

1.7. Malaysia in ASEAN

Malaysia is an active member, as well as founder, of the Association of South-East Asian Nations, known as ASEAN, which today includes other nine countries: Cambodia, Brunei, the Philippines, Laos, Indonesia, Myanmar, Singapore, Thailand and Vietnam.

ASEAN was established in 1967 to promote the economic, cultural and social development of the South-East Asia area; today it's the second biggest integration project after the European Union, without the adoption of a single currency.

The association is based in Jakarta (Indonesia) and in 2007 with the adoption of the ASEAN charter, the member States drew up a statute to regulate the principles and purposes of the organisation, which include the acceleration of economic growth, social progress and cultural development in the region, the promotion of peace and regional stability in accordance with the principles contained in the Charter of the United Nations and the promotion of active cooperation and reciprocal assistance in questions of common interest.

ASEAN's weight at international level was further increased following the coming into force, in 2022, of the Regional Comprehensive Economic Partnership (RCEP) which establishes the largest free trade area in the world, composed, besides the 10 countries belonging to ASEAN, also China, Japan, Australia, New Zealand and Republic of Korea.

1.8. Economic relations with Italy

Malaysia has been able, for some time now, to count on the presence of a high number of extremely advantageous regional and bilateral free trade agreements that not only assist international companies in the search for customers but, above all, enable them to use the country as a springboard for accessing other South-East Asian markets. Specifically, Italy can be considered one of Malaysia's principal partners and trade between the two countries has grown significantly in the last few years. In detail, if we look at Italian exports, these mainly involve hi-tech machinery for the 4.0 manufacturing industry, lat-

est generation automation and transmission systems, as well as electronics and electro-medical devices. These are followed by exports relating to chemical and pharmaceutical products. Finally, there are exports of consumer goods such as foods, beverages, clothing and footwear, even though jewellery products, in contrast with the previous products, are undergoing constant growth, explained by the growth of the country's middle class.

With regard to imports, instead, the agri-food sector is the most significant sector, the importance of which is attributable almost entirely to the importation of palm oil. Imports in the rubber and plastics sectors follow closely behind, in this case mainly composed of latex and nitrile gloves, the demand for which increased during the pandemic and for which Malaysia is world leader in their production.

In addition to the excellent commercial relations between the two countries, it is worth noting that the presence of Italian companies in Malaysia is constantly growing. What's more, at the end of 2023 the *Cassa Depositi e Prestiti* and the Malaysian sovereign fund, Khazanah Nasional Berhad (Khazanah), entered into a non-binding agreement, a "Memorandum of Understanding", with a duration of 4 years, with the aim of identifying areas of potential interest in which the parties can define, evaluate and identify investment and cooperation opportunities.

1.9. The protection of intellectual property

The question of the protection of intellectual property and technological transfer is an aspect of great importance for SMEs that intend to invest in South-East Asia. In this regard, Malaysia, some years ago set up, under the supervision of the Ministry of Internal Trade and Consumer Affairs, the "Intellectual Property Corporation of Malaysia (MyIpo)" agency, which deals with patents, trademarks, industrial designs, copyrights, geographical indications and integrated circuit layout drawings.

In addition, confirming the country's commitment to protecting intellectual property, it should be noted that Malaysia is a member of WIPO – World Intellectual Property Organisation, as well as the Paris and Berne Conventions, besides the Madrid Protocol (EUIPO).

Specifically, with the signing of the Madrid Protocol, Malaysia has joined the international trademark system that allows interested investors to request the protection of a trademark in a number of member countries submitting a single application to the WIPO.

Malaysia is also a signatory of the Trade-Related Aspects of Intellectual Property Rights (TRIPs) Agreement, under the aegis of the World Trade Organization (WTO).

As a result, thanks to the implementation of such international regulation, companies intending to invest in Malaysia are safeguarded by a context that provides

protection for their products, services and technologies from any illegitimate and distorted use on the part of non-authorized parties.

The country's intellectual property protection system is further strengthened by the presence of national bodies with specific responsibilities and autonomous organisational systems and services that supervise the legitimate exploitation of products and services at provincial, district and ministerial level. In addition, thanks to the collaboration with international bodies, local parties are able to carry out ordinary intellectual property evaluations without the need for investors to resort to foreign valuers.

Finally, the national agency has set up a pilot platform on which it is possible to highlight intellectual property owners interested in licensing or selling their rights.

2. Setting up a business in Malaysia

2.1. Foreign investments in Malaysia: rules and procedures

Foreign investments in Malaysia are generally permitted, but specific permits are necessary for certain sectors such as the production of high-tech devices, telecommunications and other strategic sectors for the country's economy.

Approval of the Foreign Investment Committee (FIC) can be requested for most sectors, with the exclusion of manufacturing, oil and multimedia companies.

A foreign party that wishes to set up a business in Malaysia can do so with a representation office, with a branch or with the incorporation of a new company.

2.2. Representative office

The representative office, unable to act on its own account but only representing the head office, can operate as an intermediary between a foreign company and third parties with which it wishes to enter into contracts. It can only carry out market research and coordinate activities. Only individuals who are employees or directors of the parent company can operate in the head office.

2.3. Branch

The branch must have the same name as the head office and can only carry on the same business activities.

It's clearly not a different legal entity from the head office. At least one resident of Malaysia is required for its establishment.

It's subject to legal audit and must file its and the head office's financial statements with the SSM (Suruhanjaya Syarikat Malaysia, Company Commission of Malaysia, equivalent of the Italian Register of Companies) and with the LHDN (Lembaga Hasil Dalam Negeri, equivalent to the Italian Revenue Office).

It can hire both foreign and local staff.

It's taxed as non-resident and cannot, therefore, benefit from local tax breaks.

2.4. Incorporation of a company

A new company can have a different name from the parent company and can potentially carry on any activity, though the share capital cannot be 100% foreign if it operates in a number of strategic sectors of national interest, such as telecommunications, port management and energy.

It must have at least one director resident in the country and can hire both foreign and local staff.

The company is taxed as resident in the country and can therefore benefit from local tax breaks.

Companies are regulated by the Companies Act 2016 (in force from 31 January 2017), which has recently been integrated by the Companies Act 2024 with reference to a number of obligations and tools related to business crisis management.

The Companies Act 2016 provides for three types of company: companies limited by shares, companies limited by guarantee and unlimited liability companies.

2.4.1. Company limited by shares (Sendirian Berhad)

This is the most widespread type of company and provides for liability limited to the capital contributed. In the event that the capital has not been fully paid, the member is liable to the extent of the share capital still not paid.

The name must carry the wording Sendirian Berhad or the abbreviation Sdn Bhd

The maximum number of shareholders is 50 and the shares have transfer restrictions. These companies can also have a single member and a sole director. At least one director must be resident in the country.

In general, they are subject to legal audit, but exemption may be requested in the following cases:

- › Dormant company;
- › Company does not have revenues in the current year and in the previous two years and has total assets below 300,000 MYR;
- › Company does not exceed the following limits:
 - revenues less than 100,000 MYR in the current year and in the previous two years;
 - total assets less than 300,000 MYR in the current year and in the previous two years;
 - number of employees below five in the current year and in the previous two years.

These companies cannot place shares on the market and offer them to the public, nor issue bonds.

They are not obliged to hold an annual meeting for approval of the financial statements, but the directors are obliged to prepare the financial statements within eighteen months from incorporation and subsequently within six months from the close of the financial period and to distribute them to the shareholders and auditors within said term. Within thirty days from said distribution, the financial statements must be filed with the Registrar of Companies Commission of Malaysia.

2.4.2. Public limited company (Berhad)

This type of company also provides for liability limited to the share capital contributed.

The name must report the wording Berhad or the abbreviation Bhd.

It must have a minimum of two shareholders and there is not a maximum number; there must be at least two directors, of which at least two resident in the country.

The shares are transferable and can be placed on the market; the company can issue bonds.

It is always subject to legal audit.

It must call a general meeting at least once a year. The directors have the obligation to prepare the financial statements within eighteen months from incorporation and subsequently within six months from the close of the financial period. The financial statements, including the directors' and auditor's report, must be sent to the members at least twenty-one days before the date of the general meeting and must then be filed within thirty days with the Registrar of Companies Commission of Malaysia.

Listed companies must also file the financial statements with the Stock Exchange within four months from the close of the financial period.

2.4.3. Company limited by guarantee (CLBG)

This type of company does not have shareholders as such, but "members", who guarantee to intervene to cover any debts of the company up to a pre-established amount.

They are often non-profit organisations. They cannot distribute dividends.

2.4.4. Unlimited liability company

They are rare and provide for the unlimited liability of the shareholders. Creditors can collect debts from members personally only in the event of insolvency or bankruptcy of the company.

2.4.5. Sole proprietorship

It's the simplest form and provides for a single party with unlimited liability. It can be run only by citizens or permanent residents of the country.

2.4.6. Partnership

It is regulated by the Partnership Act of 1961.

It's similar to Italian partnerships.

The members have unlimited liability.

The maximum number of members is twenty. Upon exceeding this number it's necessary to register as a company according to the Company Act 2016.

2.4.7. Limited Liability Partnership (LLP)

It's a type of enterprise that combines the characteristics of the private limited liability company with that of the partnership.

It is a legal entity and the members can be natural persons or other entities.

It is regulated by the Limited Liability Partnership Act 2012.

The liability of the partners is limited.

It is mainly used as a partnership between professionals or for small companies or start-ups.

2.4.8. Incorporation of a company limited by shares (Sendirian Berhad): operational steps

To incorporate a company, and in particular, the most common type, especially among foreign investors, it's necessary:

- › To choose a name, which must be unique and not similar to the name of other companies (it's advisable in this regard to check on the SSM site that there are not already other organisations with the same or similar name).
- › Submit the chosen name to the SSM for approval. Once approval has been received the name remains "reserved" for thirty days.
- › Submit the following required documents to the SSM:
 - Deed of incorporation and articles of association;
 - Passports and visas;
 - Business plan;
 - Details of shareholders and directors;
 - Address of registered office;
 - Any license or permit required for particular activities.

It's possible to send everything online and at the end of the procedure it will be possible to download the certificate of incorporation.

The process is quite fast and takes around ten days.

2.5. Main changes introduced by the Companies (Amendment) Act 2024

The Act came into force (for almost all the provisions) on 1 April 2024.

The main changes are the following:

- › **Beneficial Ownership Reporting:** Companies are obliged to keep and update a register of all effective beneficial owners, that is, all those that exercise control over the company, even if they do not directly possess its shares. This aims at improving transparency and contrasting money laundering. The information must be kept for at least seven years after termination of the status of Beneficial Owner.
- › **Crisis management:** The new regime widens the possibilities for companies in difficulty of accessing instruments such as **Corporate Voluntary Arrangement (CVA)** and **Judicial Management (JM)**. They are tools that allow the company to propose to creditors a debt restructuring plan without having to go to court (CVA) or to appoint an official receiver by the court to help the company overcome a moment of difficulty. Both procedures provide for business continuity to be pursued and for the company to continue to operate after their conclusion. The possibility of resorting to said procedures was extended to more types of parties which had previously been excluded.
- › **Insolvency Practitioner:** The changes also introduce the figure of insolvency practitioner, who can be appointed by the court to assess the feasibility of the restructuring plan.
- › **Cram down and Scheme of Arrangement:** The court can approve a scheme of arrangement also without the unanimous approval of the creditors, in certain conditions.

3. The taxation system¹

3.1. Tax residences

The tax liability of companies and individuals in Malaysia depends on their tax residence status.

3.1.1. Tax resident companies

In Malaysia, a company is resident or non-resident. A company is resident in Malaysia if at any time during that basis year the management and control of its business is in Malaysia.

Generally, a company is regarded as resident in Malaysia if, at any time during the basis year, at least one meeting of the Board of Directors is held in Malaysia concerning the management and control of the company.

3.1.2. Tax resident individuals

All individuals, regardless of citizenship, are considered as tax resident if they fulfilled the following:

- a. he is in Malaysia in that basis year for a period or periods amounting in all to 182 days or more;
- b. he is in Malaysia in that basis year for a period of less than 182 days and that period is linked by or to another period of 182 or more consecutive days throughout which he is in Malaysia in the basis year for the year of assessment immediately preceding that particular year of assessment or in that basis year for the year of assessment immediately following that particular year of assessment:
Provided that any temporary absence from Malaysia is not:
 - i. connected with his service in Malaysia and owing to service matters or attending conferences or seminars or study abroad;
 - ii. owing to ill-health involving himself or a member of his immediate family; and
 - iii. in respect of social visits not exceeding fourteen days in the aggregate, shall be taken to form part of such period or that period, as the case may be, if he is in Malaysia immediately prior to and after that temporary absence;

¹ Malaysia signed up to a double-taxation agreement with Italy in 1984 (effective 1977) and had been deleted from the so-called blacklisted countries in relation to the non-deductibility of costs and CFC rules, from 2015.

- c. he is in Malaysia in that basis year for a period or periods amounting in all to 90 days or more, having been with respect to each of any three of the basis years for the four years of assessment immediately preceding that particular year of assessment either:
 - i. resident in Malaysia within the meaning of this Act for the basis year in question; or
 - ii. in Malaysia for a period or periods amounting in all to 90 days or more in the basis year in question; or
- d. he is resident in Malaysia within the meaning of this Act for the basis year for the year of assessment following that particular year of assessment, having been so resident for each of the basis years for the three years of assessment immediately preceding that particular year of assessment.

3.1.3. Advantages of being tax resident

The status as tax resident allows a company to benefit from a myriad of tax incentives and allowances, which can reduce the total effective tax rate of Corporate Income Tax (CIT).

Tax residents can benefit from the provisions contained in over 70 double-taxation agreements (DTA) of the country, which allow enterprises to eliminate cases of double taxation between the signatories of the treaties. In addition, tax residents have the advantage of accessing wider Asian markets thanks to the country's Free Trade Agreements (FTA).

3.2. Corporate income tax

Malaysia has a corporate income tax (CIT) with a standard rate of 24%. The country applies a corporate tax system at a single level, which means that companies pay CIT only on taxable income (on profits) and all dividends are exempt from further taxes.

Enterprises with an income deriving from Malaysia or remitted to the country are obliged to pay corporate taxes with a rate of 24% on taxable income.

Resident company with paid up capital for RM2.5 million or less, gross income from business of not more than RM50 million and foreign entities holding of not more than 20% of paid up capital, are eligible for a lower tax rate of 15% on first RM150,000 of the taxable income & 17% on the next RM450,000.

Taxable income includes:

- › profits deriving from commercial or entrepreneurial activity²;
- › royalties and bounties;
- › rental income;
- › income from investments such as interest.

Foreign dividend income received in Malaysia by a resident company is exempted from tax, from 1 January 2022 until 31 December 2026, subject to the following conditions:

- › dividend income has been subjected to tax in the country of origin which the income arises;
- › the headline tax rate in the country of origin is not less than 15%; and
- › comply with the economic substance requirements.

3.3. Individual income tax

The tax liability of foreigners in Malaysia depends on their tax residence status as outlined in “Tax resident individuals”.

Tax rates

Malaysia taxes all incomes generated or derived in Malaysia and all foreign source income remitted into the country.

All foreign source income remitted into the country from 1 January 2022 to 31 December 2026, received by individual tax resident, are exempted from taxes.

Malaysia applies a progressive rate on individual income tax (IIT) on tax residents, with a current maximum rate of 30%. The progressive tax rates on individual income tax for tax residents are as follows:

Category	Chargeable income	Tier (RM)	Rate %
A	0 - 5,000	On the first 5,000	0
B	5,001 - 20,000	Next 15,000	1
C	20,001 - 35,000	Next 15,000	3
D	35,001 - 50,000	Next 15,000	6
E	50,001 - 70,000	Next 20,000	11

² The one-tier system provides that companies based in Malaysia pay taxes only on profits and not on income.

Category	Chargeable income	Tier (RM)	Rate %
F	70,001 - 100,000	Next 30,000	19
G	100,001 - 400,000	Next 300,000	25
H	400,001 - 600,000	Next 200,000	26
I	600,001 - 2,000,000	Next 1,400,000	28
J	Exceeding 2,000,000	Next ringgit	30

Non-tax residents are taxed with a flat rate of 30%.

3.4. Other taxes

3.4.1. Sales tax

Sales tax is a single-stage tax imposed on taxable goods manufactured locally by a registered manufacturer, and on taxable goods imported by any person. Sales tax is generally an ad valorem tax. Specific rates of sales tax are currently only imposed on certain classes of petroleum (generally, refined petroleum). The ad valorem rates are 5% or 10% depending on the class of goods.

3.4.2. Service tax

Service tax is a consumption tax levied and charged on any taxable services provided in Malaysia by a registered person in carrying on one's business. The ad valorem rates are 6% or 8% depending on the class of services.

3.4.3. Withholding tax

Withholding tax is an amount withheld by the party making payment (payer) on income earned by a non-resident (payee), that is payable to the Inland Revenue Board of Malaysia (IRBM).

The types of incomes subject to withholding tax are:

Types of Payments	Withholding Tax Rates
Contract payments to non-resident	10%, 3%
Interest payments to non-resident persons	15%
Royalty payments to non-resident persons	10%
Payments to non-resident Public Entertainers	15%

Types of Payments	Withholding Tax Rates
Payments of special classes of income to non-resident	10%
Income distributions by Real Estate Investment Trust (REITs) / Property Trust Fund to:	
(i) non-resident company	24%
(ii) foreign investment	10%
(iii) institutions other than paragraph (i), (ii) and resident company	10%
Income distributions by Retail Money Market Fund to unitholders other than an individual	24%
Income distributions by Family Fund / Takaful Family Fund / General Fund to:	
(i) non-resident company	25%
(ii) other than paragraph (i) and resident company	8%
Other income (eg: commissions, guarantee fees introducer's fees, etc)	10%
Income derived from withdrawal of a deferred annuity or a private retirement scheme before reaching the age of fifty-five	8%

Malaysia has concluded about 74 effective Double Taxation Agreements (DTA). To be eligible for the preferential rate, a written confirmation in the form of a letter or certificate from the revenue authority of the relevant country confirming the resident status of the payee shall be consistently retained for future compliance reviews.

Where Malaysia has not entered into a DTA or there is a limited DTA with a particular country, the domestic tax laws of Malaysia shall prevail.

Under the DTA provision, if the same income is taxed in both countries (Malaysia and a treaty country), the taxpayer (non-resident) may claim tax relief known as bilateral credit in the country where he is resident.

3.4.4. Capital gains tax

Capital gains tax was introduced and effective from 1 March 2024 for the sale of unlisted shares by Malaysian companies, limited liability partnerships, trust bodies and co-operative societies (disposers).

The fixed tax rate is 10% on the net gain.

However, disposers have a choice of either a 10% tax on net gains arising from the disposal of unlisted shares (the net gain) or a 2% tax on gross sales value for shares acquired before 1 January 2024.

3.4.5. Real property gains tax

RPGT is charged upon gains from disposals of real property, which is defined as any land (and everything permanently attached to the land) situated in Malaysia, as well as any interest, option, or other right in or over such land.

RPGT rates:

Disposal	RPGT rates		
	Resident Companies / Trustee / Society (%)	Individuals - Citizen & Permanent Resident (%)	Non-Citizen & Non-Permanent Resident Individuals, Executor of deceased estate, Non-Resident Companies (%)
Within 3 years	30	30	30
In the 4 th year	20	20	30
In the 5 th year	15	15	30
In the 6 th and subsequent years	10	0	10

3.4.6. Import Duties

Import duties are levied on goods that are subject to import duties and imported into the country. Import duties are generally levied on an ad valorem basis but may also be imposed on a specific basis. The ad valorem rates of import duties range from 2% to 60%. Raw materials, machinery, essential foodstuffs, and pharmaceutical products are generally non-dutiable or subject to duties at lower rates.

3.4.7. Excise Duties

Excise duties are imposed on a selected range of goods manufactured and imported into Malaysia. Goods that are subject to excise duty include beer/stout, cider and perry, rice wine, mead, un-denatured ethyl alcohol, brandy, whisky, rum and tafia, gin, cigarettes containing tobacco, motor vehicles, motorcycles, playing cards, and mahjong tiles.

The rate of excise duties vary from a composite rate of MYR 1.10 per litre and 15% of the value for certain types of spirituous beverages, to as much as 105% of the value of motorcars (depending on engine capacity).

3.5. Regulatory compliance for companies

3.5.1. Audit of financial statements

According to Malaysia's Companies Act 2016, the main legislative source regulating the activities of companies in the country, companies must comply with the requirement of annual filing of the financial statements to the Companies Commission of Malaysia (CCM).

The law provides that the aforementioned financial statements must be subject to audit by a qualified auditor, who must be appointed for each financial year.

The auditor's task is to examine the financial statements and formulate an opinion on whether they show a true and fair view of the company's financial situation at the end of the financial period and its financial and cash flow performance for the year ended on that date, in compliance with relevant Malaysian accounting standards and the requirements of the Companies Act 2016.

3.5.2. Annual general meeting and the dissemination of the financial statements

Companies which are not public limited companies are not required to hold an annual general meeting (AGM) in Malaysia.

These companies, however, are required to make the company's financial statements and reports available within 6 months from the end of the financial year to all shareholders of the company.

3.5.3. Taxation

Under the self-assessment system, companies are required to submit a tax return within seven months from the closing date of the accounts. The details that must be specified in the return include the taxable income and the tax payable by the company.

The tax return is considered a notification of self-assessment and is considered as notified by the company on the date of submission of the return. Any tax due according to the assessment upon submission of a tax return is due and payable by the last day of the seventh month from the closing date of the accounts.

Companies are also obliged to provide estimates of the taxes due for an assessment year within and not later than 30 days from the beginning of the basis period (normally the financial year) or within 3 months from the start of operations. A newly-incorporated company with paid share capital equal to or less than 2.5 million MYR that meets certain specific conditions is, however, exempt from this obligation for two years, starting from the year in which the company begins operating.

A revised estimate may be submitted in the sixth, ninth and eleventh month of the basis period for one year of assessment.

3.5.4. Exemption from audit

On 4 August 2017, the CCM issued practice directive no. 3/2017 which introduces exemption for private companies from the obligation to appoint an auditor in a financial period (audit exemption).

Exemption according to PD3/2017 is available to three categories of private companies, that is to say, dormant companies, zero revenue companies and “threshold qualified” companies; the criteria to be met to qualify for exemption in the respective categories are as follows:

Types of private companies	Criteria
Dormant companies	It has remained inactive since its incorporation; or it has remained inactive for the entire current financial year and in the immediately preceding financial year.
Zero revenue companies	It has not revenue and its total assets do not exceed RM 300,000 in the current financial year and in the last two financial years.
Threshold qualified companies	Its turnover does not exceed RM 100,000, its total equity does exceed RM 300,000 and it has not had more than 5 employees during the current and last two financial years.

In 2023 and 2024, the CCM issued consultative documents proposing a revision of the audit exemption criteria for private companies. The latest amended proposal stated that for companies to qualify for the audit exemption, a company must meet two of the following three criteria:

- i) the annual income does not exceed 3 million RM;
- ii) total balance sheet assets do not exceed 3 million RM;
- iii) not more than 30 employees.

in the current financial year and in the last two financial years.

This revision is still awaiting implementation in the middle of 2024.

3.5.5. Accounting standards

Malaysian companies are obliged to prepare financial statements in compliance with the accounting standards approved by the Malaysian Accounting Standards Board (MASB) which currently consist in:

- i) the Malaysian Financial Reporting Standards MFRS, mandatory for entities other than private ones;
- ii) the Malaysian Private Entities Reporting Standard (MPERS), a regulatory framework developed for private entities.

Malaysian Financial Reporting Standards

A private entity that has not chosen to apply the MFRS in their entirety must apply the MPERS in their entirety for financial statements with annual periods that begin on 1 January 2016 or subsequent to that date.

The standards for non-private entities, the MFRS, fully conform to the standards issued by the International Accounting Standards Board (IASB), that is, the International Financial Reporting Standards (IFRS).

The standards for private entities, the MPERS, are substantially equivalent to the IFRS standards for SMEs issued by the IASB, with the exception of requirements for real estate development activities and a number of terminological changes. As a result, the MPERS are generally consistent with current international practices.

3.5.6. Annual submissions to the CCM

In compliance with the Companies Act 2016, all registered and existing companies must submit an annual return which includes:

Annual return

The annual return includes all information about the company, such as commercial activities, location of the business, registered office, the general details of the director(s), secretary(ies) of the company and of its shareholders, with information on the relative shareholdings in the company. All these details must be submitted annually within thirty (30) days from the anniversary date (establishment date) of the local company.

In forwarding the document, stakeholders will be informed that the company still exists on the anniversary date with relation to the year of submission. The information provided will help the company's stakeholders to form a general picture of the company.

Financial statements and reports

The financial statements contain significant information that enable the stakeholders to evaluate the financial health and potential earnings of a company.

The director(s) of a company are responsible for maintaining an internal control system and the keeping of adequate accounts and other records that enable the preparation of financial statements that show a true and fair view of the company, while the other executives of the company must ensure that submission of the financial statements and reports occurs within 30 days of the circulation of the financial statements or the annual general meeting.

3.5.7. Employer's responsibilities

All employers, with or without employees, are obliged to submit the employer's tax return (E form) to the Inland Revenue Board of Malaysia (IRBM) before 31 March each year.

For employers with employees, it is essential to comply with these statutory obligations:

- i) Mandatory contributions or deductions such as:
 - monthly tax deductions or "PCB" (depending on the employee's taxability);
 - employees' Provident Fund (EPF);
 - social security (Socso);
 - employment insurance system (EIS);
 - human resources development contribution (HRDC) – only with 10 or more employees;
- ii) Annual preparation of the salary declaration (EA form) for all employees;
- iii) Notification of a new employee (CP22);
- iv) Notification of termination of employment for dismissal or death (CP22A);
- v) Notification of an employee that leaves Malaysia for more than 3 months (CP21).

3.5.8. Sanctions in the event of non-compliance

Companies that do not comply with any of the annual obligations risk being sanctioned by the competent authorities with financial penalties or imprisonment of executives.

The extent of financial penalties varies depending on the non-compliance crimes.

4. The labour market

In Malaysia employment laws are regulated by the Employment Act of 1955 which establishes the minimum requirements for the employment of an employee.

Initially, the Employment Act applied only to employees with a salary of less than 2,000 RM a month or those who carry on specific kinds of work such as manual labour, the supervision of manual labour, driving vehicles, some jobs on ships or domestic service. Now, the regulations that refer to this document apply to all those who carry out work activities in Malaysia.

4.1. The main employment laws in Malaysia

There are numerous laws regulating work in Malaysia. A brief outline of the main legal sources regulating labour law are set out below:

- › The Employment Act del 1955 (EA) defines the basic terms and conditions for employees in the private sector. It regulates fundamental aspects such as working hours, days of rest, bank holidays and the payment of overtime, with the aim of protecting workers' rights.
- › The Industrial Relations Act 1967 regulates relations between employers and employees. It provides a framework for the organisation and functioning of trade unions and aims to promote a peaceful resolution of disputes.
- › The Occupational Safety and Health Act 1994 is dedicated to the prevention of accidents and illnesses in the workplace. It requires employers to guarantee a safe and healthy working environment, offering training and adequate equipment. The law also set out the responsibilities of employers and employees in the safeguarding of safety, including the identification of dangers and the management of risks.
- › The Employees Provident Fund Act 1991 was conceived to ensure the financial stability of employees after retirement. This law set up the Employees Provident Fund (EPF), a retirement savings fund supplied by monthly contributions from both employers and employees, taken from a part of their salary.
- › The Employees' Social Security Act 1969 offers a network of protection for employees, safeguarding them in the event of injuries, professional illness or disability. Both employers and employees pay contributions to a social security fund,

intended to provide financial support and assistance to those facing work-related difficulties or emergencies.

- › **Minimum Retirement Age Act 2012 (MRAA):** The law on the minimum retirement age of 2012 aims at preventing discrimination on the basis of age and at promoting equity in the workplace. It establishes the minimum retirement age at 60 years, ensuring that employers cannot force employees to retire before having reached that age, unless in the event of specific legal conditions.

4.2. The Employment Contract in Malaysia (outline)

Employment in Malaysia is regulated by the Employment Act 1955. This law establishes the minimum legal conditions and fundamental rights that must be complied with in employment relations.

Although there are no specific laws that prohibit discrimination in the workplace, article 8 of the Federal Constitution guarantees equal opportunities to all Malaysian citizens, regardless of religion, race, place of birth or gender. This constitutional principle promotes a balanced distribution of employment between the different ethnic groups.

It is important to underline that to work legally in Malaysia it is necessary to be Malaysian citizens or permanent residents. Foreign citizens, instead, have to obtain a work permit or a valid visa, which varies on the basis of factors such as the work category, salary and the level of education.

After successfully completing the trial period of a month, the worker's employment must be formalised with a written contract. The contract must contain essential details regarding the employment agreement, including:

- › Job description
- › Nature of duties
- › Salary packages
- › Benefits and other aspects relating to the employer's health and safety
- › Work hours
- › Entitlement to leave
- › Conditions for the termination of the employment relationship

A properly drawn up contract is essential for preventing potential future disputes, guaranteeing fairness for both employers and employees.

4.2.1. Weekly working hours

In Malaysia, the working week cannot exceed 45 hours per week. Work cannot exceed an average of 8 hours per day or 45 hours per week. It is possible to work a maximum of 12 hours a day. Employees must take a of 30 minutes every 5 hours of continuous work or 45 minutes after 8 hours.

Employees of organisations with less than 10 employees and which are not subject to the Employment Act (EA) can freely negotiate the working hours.

4.2.2. Minimum wage, pay slip and salary payment methods

In May 2022, Malaysia increased the national minimum wage by 25%, taking it from RM1,200 to RM1,500 per month. The daily minimum wage, instead, varies according to the number of working days each week, as follows:

- › RM57.69 for employees that work for six days a week
- › RM69.23 for employees that work five days a week
- › RM86.54 for employees that work four days a week.

For employees paid by the hour the Minimum Wages Order 2022 fixes the minimum salary at RM 7.21 per hour.

The Minimum Wages Order 2022 establishes uniform minimum salaries for all the regions, States and cities of Malaysia. There are, however, a number of exceptions: domestic workers, such as waiters, cooks, guards, gardeners and personal drivers, as well as apprentices in training for at least two years, are excluded from the application of the national minimum wage.

There is no specific method of payment in Malaysia for salary disbursement. Employers can choose between different methods, such as bank transfers, cheques or digital payment systems, provided that the payments are made within the established terms. It's essential that employers ensure that the chosen method of payment permits adequate registration and complies with the payment terms indicated in the employment contract.

In Malaysia, every employee receives a pay slip every time they are paid. The pay slip must contain the following information:

- › Name and surname of the employee
- › Identification data
- › Gender
- › Citizenship status
- › Method of payment of the salary

- › Payment amount
- › Date of payment
- › Details of any extra payments
- › Deductions made
- › Information regarding the employer
- › Date of issue of the pay slip

4.2.3. Overtime

Employees that work overtime must receive payment at least 1.5 times their standard pay. Overtime applies for work that exceeds the regular working hours, fixed at 8 hours per day or 45 hours per week. With the current minimum wage of RM 7.21, the rate for overtime would be RM 10.815 per hour.

When employees work on rest days, they have the right to receive overtime pay equal to 2 times their usual hourly pay.

For paid work performed during public holidays, the rate of overtime pay increases to three times the employee's usual hourly pay.

The maximum limit of overtime that an employee can work in a month is 104 hours, excluding the hours worked on rest days, on public holidays or substitute holidays. In addition, no employer can ask an employee to work more than 12 hours a day, including overtime.

Not all employees have the right to overtime pay. There are specific exceptions on the basis of earnings and sector.

- › Employee with a monthly salary above 4,000 RM
- › Workers in specific sectors (for employees that work in sectors such as banking and finance, insurance, hotels and restaurants and road transport, the specific rules of the sector regulate the admissibility of overtime pay, regardless of the salary level).

4.2.4. Child labour laws

The Children and Young Persons (Employment) Act of 1966 regulates the employment of minors in Malaysia. This law defines “child” as a person of less than fifteen years of age and “young person” as a person of between fifteen and eighteen years of age. The main provisions of the law include:

- › **Minimum age for employment:** The minimum age for employment is fixed at 13 years.

- › **Employment restrictions:** Children of less than 15 years of age and young people of between 15 and 18 years of age may not engage in any work or occupation without proper permission and supervision.
- › **Prohibited work:** neither children nor young people can perform dangerous work specified by the law, which includes tasks with chemical risks or dangerous machinery. Young people can, however, perform such work if they are personally supervised during an apprenticeship or professional training.

Working hours for children:

- › They cannot work more than 6 days a week.
- › They cannot work between 20.00 and 7.00, except in public entertainment venues.
- › They must have a break of at least 30 minutes every 3 hours of continuous work
- › Maximum limit of 6 working hours a day, or 7 hours if they go to school.

Working hours for young people:

- › They cannot work more than 6 days a week.
- › They cannot work between 20.00 and 7.00, except in specific activities such as public entertainment or agriculture, or under the personal supervision of a parent or tutor.
- › They cannot work for more than 4 consecutive hours without a break.
- › Maximum limit of 7 working hours a day, or 8 if they go to school.

4.2.5. Free time and breaks

In Malaysia, employees that work for more than 5 continuous hours have the right to an unpaid break of at least 30 minutes. For periods of work of less than 5 hours, employers can organise shorter breaks, provided that they do not interrupt the period of continuous work.

Employees with a working day of 8 hours have the right to a minimum of 45 minutes of unpaid rest for meals and breaks during the day.

Every week employees have the right to a full day of rest, established by the employer. For shift workers, a continuous period of at least 30 hours can already be considered as a day of rest.

If employees are obliged to work on a rest day, they must receive at least double their daily wage.

These rules don't apply to periods of maternity leave, illness or temporary incapacity. Employers can request employees to change the rest day to another day of the same month, provided that the day of rest is guaranteed.

4.2.6. Sickness leave

Employees in Malaysia have the right to:

- › 14 days of sickness leave for those who have less than 2 years of service
- › 18 days of sickness leave for those who have between 2 and 5 years of service
- › 22 days for employees with more than 5 years of service
- › 60 days in the case of health emergencies.

Employee that are not subject to the Employment Act (EA) can negotiate the conditions of paid leave with their employer.

4.2.7. Parental leave

In Malesia, the law provides for both maternity and paternity leave.

Thanks to the [Employment \(Amendment\) Bill 2021](#), which came into force on 1 January 2023, workers in Malesia have the right to 98 consecutive days of maternity leave, an increase compared to the previous 60 days.

This benefit is reserved to all workers that have worked for their employer for at least 4 months before the date of giving birth. Maternity leave can start up to 30 days before the expected date of birth.

The duration of paternity leave, instead, can vary depending on the employer, even if the Employment Act of 1955 provides for a minimum of 7 days of paid leave. Some employers offer up to 30 days of paid paternity leave. To have this right, the employee must

- › be married to the future mother
- › have been employed with the same employer for at least 12 months.
- › give notice of at least 30 days to the employer before the expected date of birth.

4.2.8. Leave for study purposes

In Malaysia, employees can have study leave for short courses for the benefit of the organisation or for exams that lead to useful certifications for their career. Even through there is no legal obligation to grant study leave, many employers offer it in order to support the professional development of their employees.

4.2.9. Extraordinary leave

Although there are no specific legal provisions in Malaysia for extraordinary leave, many employers grant two or three days for these cases. Alternatively, employees may have to take unpaid leave or use holidays for dealing with emergencies, such as looking after a family member or other urgent personal circumstances.

4.2.10. Annual leave and Festive Days

According to the Employment Act (EA), employees have the right to a number of paid annual holidays that varies on the basis of how long they have worked for the employer. The number of days of paid annual holidays increases with the length of service.

- › Employed for less than 2 years: 8 days per year
- › Employed from 2 to 5 years: 12 days per year
- › Employed for more than 5 years: 16 days per year

Employees that are not covered by the Employment Act (EA) can negotiate paid leave with their employer.

Malaysia is famous for its rich variety of cultural celebrations, including festivals and holidays of different origins. These festivals are celebrated throughout the country and many people take time off from work or school to join in the festivities.

4.2.11. Public holidays

- › New year
- › New lunar year
- › Ascension of the Prophet
- › Eid al-Fitr
- › Vesak
- › Birthday of Yang di-Pertuan Agong
- › Labour Day
- › Eid al-Adha
- › Islamic New year
- › Independence Day
- › Malaysia Day
- › Birthday of the Prophet
- › Diwali
- › Christmas Day

4.2.12. Notice period

To terminate an employment contract, it's necessary to provide fair notice as well as just cause for dismissal.

The notice period for dismissal depends on the years of service provided to the same employer:

- › Four weeks if the length of service is less than two years;
- › Six weeks if the length of service is between two and five years;
- › Eight weeks if the length of service is greater than five years.

4.2.13. Dismissal

In Malaysia, if dismissal is justified, it's not necessary to offer any additional or severance pay. The rules regarding dismissal are regulated by the Employment Act 1955 according to which an employee can be dismissed for a series of motives, including:

- › bad behaviour
- › unsatisfactory work performance
- › breach of contract
- › overstaffing
- › retirement

When an employee is dismissed, they have the right to received certain payments, including:

- › salary relating to the notice period (if provided for)
- › overtime wages and salary
- › pay for annual leave not taken
- › unused sickness leave

In Malaysia there are other laws that protect employees from unfair dismissal, such as the Industrial Relations Act 1967 and the Trade Unions Act 1959. These laws guarantee employees specific rights, including the right to lodge a complaint with the industrial tribunal if they feel that they have been dismissed unfairly.

4.3. Health insurance

Employees benefit from social security to which the employer contributes at a rate of 1.75% of the employee's salary, while the employee contributes 0.5%.

The social welfare system is managed by the Social Security Body (Socso). Employers are obliged to contribute to the Socso with a percentage of the salaries of their employees. This fund provides financial assistance to workers in the event of sickness, injury or unemployment. Employees are also obliged to contribute a small part of their salary. Socso benefits are accessible to all citizens and permanent residents that are employed in the formal sector.

The main social security benefits are:

- › health benefits: includes coverage for hospitalisation, surgical operations and a number of day surgery treatments.
- › compensation for accidents at work: provides financial assistance to workers that are injured at work, covering medical costs and a part of the lost salary.

The contribution rate provided for work injuries is 1.25% of the salary, fully paid by the employer.

4.4. Employment insurance

Employees in Malaysia benefit from an employment insurance system (EIS) in which the both the employer and the employee contribute 0.2% each, for a total of 0.4% of the salary.

The employment insurance system in Malaysia is designed to provide financial assistance to workers that lose their job for no fault of their own. This system is financed through the contributions of employers and employees and provides for benefits for a maximum of 60 days. In addition, it offers support for job placement and training for job seekers.

4.5. Pension funds

In Malaysia, employees benefit from a pension fund in which both the employer and the employee contribute a monthly percentage of the employee's salary.

The pension fund is a mandatory retirement savings plan for all employees. The employer contributes to the fund with a percentage of the salary and the employee can also pay voluntary contributions. The fund can be used to purchase real estate, pay medical expenses or provide retirement income.

Both the employee and the employer are obliged to contribute to the Employees Provident Fund (EPF). Employers are also obliged to pay 13% of the salaries of their employees into their EPF account, while employees can choose to contribute a percentage of between 11% and 18%. This contribution is mandatory for all employees that receive a monthly salary of up to 5,000 RM.

The employer must pay into the EPF both the part for employees and that for the employer, also deducting the employee's part from their salary.

Contribution rate			
Employee nationality	Monthly salary	Phase 1 (Less than 60 years)	Phase 2 (from 60 years)
Malaysian	No limit		Employee's share: 0% Employer's share: 4% (Ref. Third Appendix – Section E)
i. Malaysian ii. Permanent residents (PR) iii. Non-Malaysian (registered as members before 1 August 1998)	Up to RM5,000	Employee's share: 11% Employer's share: 13% (Ref. Third Appendix – Section A)	Applicable only for (ii) and (iii) Employee's share: 5.5% Employer's share: 6.5% (Ref. Third Appendix – Section C)
i. Malaysian ii. Permanent residents (PR) iii. Non-Malaysian (registered as members before 1 August 1998)	Over RM5,000	Employee's share: 11% Employer's share: 12% (Ref. Third Appendix – Section A)	Applicable only for (ii) and (iii) Employee's share: 5.5% Employer's share: 6% (Ref. Third Appendix – Section C)
Non-Malaysian (registered as members after 1 August 1998)	No limit	Employee's share: 11% Employer's share: RM5.00 (Ref. Third Appendix – Section B)	Employee's share: 5.5% Employer's share: RM5.00 (Ref. Third Appendix – Section D)

Notes:

- a) The minimum age for contributions is subject to the law of 1966 on the working age of children and young people (employment). In the meantime, the maximum age for contributions is 75 years.
- b) Employers are not authorised to calculate the employer's share and the employee's share on the basis of the exact percentage EXCEPT for salaries that exceed 20,000.00 RM. The total contribution, including cents, is rounded to the subsequent ringgit.
- c) Effective pay/wage for July 2022 (the month of contribution for August 2022).

4.6. Visas for foreign workers

Foreign workers that wish to be hired by a company in the Malaysian territory must submit an application to the competent governmental institutions, such as the Ministry of Labour.

The employee's sponsoring company must also collaborate with the Government to guarantee that the foreign worker is authorized for entry.

The Government generally issues three different types of work permits:

- › Work permit;
- › Temporary work permit; and
- › Permit for professional assignments.

Work permit

This work permit allows foreign workers to accept employment with a service contract with an organisation in Malaysia. This authorisation is issued to employees with specific skills, usually technical or managerial.

The work permit is classified into three categories:

Category I

Candidates must receive a minimum basic monthly salary of 10,000 ringgit (2,136 dollars) and must have a work contract of up to 60 months.

Applicants can bring with them dependents and/or foreign domestic workers, subject to approval. The work permit can be renewed.

Category II

Candidates must receive a basic monthly salary greater than 5,000 ringgit (1,068 US dollars) and up to 10,000 ringgit (2,136 dollars) with a work contract for a maximum valid period of 23 months. The work permit can be renewed.

Applicants can bring with them dependents and/or foreign domestic workers, subject to approval. The work permit can be renewed.

Category III

The III work permit is granted to foreign citizens that work with contracts up to 12 months and with salaries that range from 3,000 ringgit (641 dollars) to 5,000 ringgit (1,068 dollars). The work permit can be renewed up to two times. Applicants can bring with them dependents and/or foreign domestic workers.

Requirements for applying for an Employment Pass (work permit)

It is the employer's responsibility to apply for a work permit on behalf of the foreign employee.

The employer must first request an "expatriate position" at one of the following government agencies:

- › Multimedia Development Corporation – for jobs in the technological sector;
- › Malaysia Industrial Development Authority – for the manufacturing and services sectors;
- › Malaysian Biotechnology Corporation – for jobs in the biotechnologies sector;
- › Central Bank of Malaysia – for the financial, banking and insurance sectors;
- › Securities commission – for the securities and futures markets sectors; and
- › Expatriate Committee – for sectors that do not fall within the previous ones.

Having obtained the expatriate position, the employer can submit the employment application to the Malaysian Immigration Department.

The employer must submit the following documents:

- › Application form;
- › Copy of the passport;
- › Authorization letter from the competent authority;
- › Employment contract;
- › Curriculum Vitae and school certificates; and
- › Employer's business profile.

Malaysia has introduced the option of renewing employment passes (EP) online starting from 1 December 2022. This option is available only for the renewal of EPOs and for their dependents at the Expatriate Services Division (ESD).

The ESD refers to the Malaysian Department of Immigration. Malaysian companies that intend to take on expatriate workers with a work permit must first register with the ESD and, once registration has been approved, can then submit individual applications for the relative work permit.

Upon renewal of the Employment Pass, the new electronic pass will replace the traditional sticker affixed on the foreign citizen's passport.

With the e-pass system, the Government hopes to make the renewal process simpler and more efficient, allowing foreign citizens to keep their passport during the renewal process.

Temporary work permit

Malaysian companies that need the immediate service of semi-qualified foreign workers in specific sectors can obtain a temporary work permit, known as a “visit pass”. The pass is valid for a period of 12 months and employers can apply for an annual extension for a maximum of 10 years.

In Malaysia there are two types of authorisation for temporary work:

- › For foreign workers in the construction, plantation, agriculture, manufacturing and service sectors; and
- › Foreign domestic workers.

In addition, this work permit is open only to citizens coming from countries authorised by the Malaysian Government of an age of between 18 and 45 years.

Requirements for applying for a temporary work permit

As in the case of “Employment Passes”, the employer is obliged to apply for the temporary work pass on behalf of the foreign applicant.

The employer must also request a visa authorization letter from the Department of Immigration of Malaysia.

The employer must submit the following documents:

- › Visa With Reference (VDR) request form;
- › Letter from the Ministry of Internal Affairs relating to approval of the quota;
- › Visa application form IM.12 and IM.38;
- › Payment receipt;
- › Deposit - insurance guarantees/bank guarantee;
- › Copy of passport of foreign applicant;
- › Passport size photo of applicant;
- › Medical certificate issued by a health facility of the applicant’s country of origin (with 3-month validity);
- › Foreign workers compensation system (insurance); and
- › Foreign Worker Hospitalization & Surgical Insurance Scheme (SPIKPA)

The temporary work permit will be issued only after the employee has passed the scheduled medical check-ups.

Permit for professional assignments

The “Professional Visit Pass” is granted to foreign workers with necessary professional qualifications or skills, for working temporarily in Malaysia for a maximum of 12 months.

These figures can provide their services only to a Malaysian company on account of a foreign company and cannot apply for an employment pass.

People belonging to the following categories can request a “Professional Visit Pass”:

- › Islamic missionaries;
- › Foreign artists (filming and performances);
- › Government officials;
- › Volunteers;
- › International students – in the context of industrial or mobility training programmes; and
- › Other religious operators - priests, granthi, gurukkal, guru dharma (these must be at least 40 years of age).

Visas for business

Malaysia does not issue visas for work reasons, so those travelling for work purposes must do so with a tourist visa.

To apply, the applicant must demonstrate that they have sufficient funds to cover their stay in Malaysia and must have a valid return ticket.

New “Social Visit” pass

In October 2022 Malaysia launched a new pass for “social visits”, called PLS@XPATS, which allows pass holders to work in the country Paese for a maximum of 30 days. The nature of the work must be considered as critical or urgent and is permitted only in certain sectors such as, for example, education, construction and manufacturing.

Candidates for the PLS@XPATS pass can only work in these selected sectors:

- › Public sector;
- › Government-connected companies (companies in which the Malaysian Government has a controlling equity interest); or
- › Private sector but only in the following categories:
 1. Production;
 2. Security and defence;
 3. Oil, gas and energy;
 4. Healthcare;

5. Finance and banks;
6. Constructions;
7. Information, technology and infrastructures;
8. Tourism;
9. Wholesale and retail trade;
10. Electrical and electronics;
11. Business services
12. Aviation;
13. Education; and
14. Other business services.

Critical work admission criteria

An essential condition for obtaining the PLS@XPATS pass is the definition of the work to be performed. Foreign companies must demonstrate that the foreign citizens employed on the basis of this pass perform critical work, defined as emergency works, repairs and maintenance, installations or restoration/reinstallation.

The application must be accompanied by a description of the duties and a work programme.

Processing times

The Immigration Department will process new applications within three working days from the date of submission. This procedure is much more rapid than the one to obtain a Professional Visit Pass, which can take up to 75-135 working days.

5. Forms of incentives and aids to investors and enterprises in Malaysia

Malaysia, with its diversified and constantly growing economy, represents a favourable destination for foreign investors. Thanks to targeted government policies and a business-friendly environment, the country offers a series of incentives to attract foreign capital in strategic sectors, thereby contributing to the economic development and growth of local and international businesses. These incentives are mainly in the form of tax exemptions, administrative benefits and access to special economic zones.

5.1. Tax exemptions and Incentives for Investors

One of the main instruments adopted by the Malaysian government to promote investments is **tax exemptions**, which offer significant advantages to those investing in key sectors, such as high technology, advanced manufacturing, renewable energy and information and communications technology (ICT).

- › **Pioneer Status:** This incentive allows admissible companies to obtain a reduction of up to 100% on tax on income deriving from qualified activities for a period of five or ten years, depending on the nature of the project. This status is intended for businesses that operate in sectors considered to be pioneering or innovative, such as green energy, advanced production and emerging technologies.
- › **Investment Tax Allowance (ITA):** Companies that are not suitable for Pioneer Status can, however, apply for an ITA, which offers a tax deduction of up to 60% of the capital invested in machinery, equipment and new technologies for a period of five years. This instrument is particularly useful for businesses that wish to modernise their operations or expand their production capacity.
- › **Reinvestment Allowance (RA):** Companies already operating in Malaysia can make use of this incentive if they reinvest in expansion, modernization or automation projects. The RA allows companies to deduct a significant percentage of reinvestment costs from taxable income, thereby supporting long-term growth and innovation.

5.2. Incentives for the Manufacturing and Logistics Sector

Malaysia is looking to consolidate its status as a regional hub for production and logistics, and offers targeted incentives to attract investments in these areas.

- › **Principal Hub Incentive:** This programme was developed to encourage multinationals to set up their headquarters for regional and global operations in Malaysia, managing activities such as procurement, distribution and research and development (R&D). Qualified companies can benefit from a tax reduction on profits and concessions for the import of machinery and technologies. The programme is ideal for companies looking to manage the supply chain at international level from a centralised base in Malaysia.
- › **Free Industrial Zones (FIZ) and Licensed Manufacturing Warehouses (LMW):** Within these zones, manufacturing companies can enjoy significant benefits, such as exemption from customs duties on imported raw materials and components and administrative simplifications. These areas are designed to facilitate the export of goods produced in Malaysia and attract companies with global operations.

5.3. Special Economic Zones and Development Corridors

The Malaysian government has created several **Special Economic Zones (SEZ)** and **Development Corridors** to attract investments in specific regions of the country. These areas offer tax and administrative incentives to promote local economic growth and improve international competition.

- › **Iskandar Malaysia:** Situated in the south of the Malaysian peninsula, close to Singapore, this zone was designed to become an innovation and economic development centre, attracting investments in the infrastructure, education, health and advanced production sectors. Investors in Iskandar can benefit tax exemptions, simplified access to authorisations and world-class infrastructures.
- › **East Coast Economic Region (ECER):** The ECER extends along the eastern coast of the Malay peninsula and is aimed at promoting economic development in sectors like agriculture, tourism and energy. Investors in this region can benefit from tax incentives and concessions for the purchase of land and the development of infrastructure.

5.4. Support to Start-ups and Small and Medium Enterprises (SMEs)

Start-ups and **small and medium enterprises (SMEs)** play a crucial role in Malaysian economic development, and the government offers a series of financial support instruments to promote growth and innovation in these sectors.

- › **Malaysian Investment Development Authority (MIDA):** The MIDA is the government agency assigned with attracting and assisting foreign investments in Malaysia. It provides free consultancy and support services during all the investment phases, from initial planning to implementation of the project. SMEs and start-ups can obtain assistance to access venture capital funds, subsidised loans and government grants.
- › **Cradle Fund:** This government fund is specifically dedicated to technological start-ups and offers grants and acceleration programmes to support businesses in the early phases. Start-ups that operate in digital innovation sectors, fintech, health technology and renewable energies can access these funds to accelerate their development.

5.5. Labour Training and Development

Malaysia recognises that access to qualified labour is a determining factor for attracting foreign investments. For this reason, the government has implemented **training and development** programmes to improve the skills of the local labour force and meet the needs of emerging industries.

- › **Human Resource Development Fund (HRDF):** This fund offers financial support to companies for the training of employees in key sectors. Businesses can apply for subsidies to train personnel in areas such as technology management, advanced production and logistics. This not only reduced the costs for investors, but also guarantees that businesses can access skilful and qualified labour.
- › **Collaboration between Universities and the Private Sector:** The government has promoted partnerships between local universities and private businesses to develop tailored training programmes that meet the specific needs of industrial sectors. This helps to create a pool of local talents able to support the country's technological and production development.

6. Free Trade Agreements and Malaysia's Strategy

6.1. Malaysia, a pillar of global trade

Malaysia has always recognised the importance of international trade for its economic growth. In the last few decades, it has implemented an aggressive commercial strategy, focusing strongly on free trade agreements (FTAs). This strategic choice derived from the wish to diversify its exports, attract direct foreign investments and integrate ever more deeply into global value chains.

Malaysia's strategic objectives:

Economic diversification: Reduce dependence on traditional sectors such as the extraction and processing of raw materials, shifting attention towards higher value sectors such as electronics and information technologies.

Attraction of foreign investments: Create a favourable business environment for multinational businesses, offering tax incentives, modern infrastructures and a qualified workforce.

Integration in the global value chain: Position itself as a production and logistics hub for companies that operate in regional and global markets.

Free Trade Agreements (FTAs):

FTAs have been the main instrument through which Malaysia has pursued its strategic objectives. These agreements eliminate and reduce tariff and non-tariff barriers to trade, facilitating the exchange of goods and services between the signatory countries.

Advantages of FTA for Malaysia:

Preferential access to markets: Malaysian businesses can export their products at more favourable conditions to countries with which FTAs have been set up entered into. Tariffs are not reciprocally applied with most countries with which FTAs have been set up.

Attraction of investments: FTAs can incentivise foreign businesses to invest in Malaysia, creating new work opportunities and promoting the transfer of technology.

Development of SMEs: Malaysian small and medium enterprises can benefit from FTAs to expand their markets and compete with large companies.

Challenges and criticisms

Despite the numerous advantages, FTAs also present some challenges. The major criticisms include:

- › *Impact on the environment:* The liberalisation of trade can lead to an increase in production and consumption, with consequent negative impacts on the environment.
- › *Inequalities:* FTAs can benefit mainly large enterprises, leaving behind small enterprises and less qualified workers.
- › *Loss of sovereignty:* The signing of an FTA can limit the ability of a country to adopt autonomous industrial and social policies.

6.2. Malaysia's Free Trade Agreements (FTAs)

Today Malaysia has signed and implemented a total of 16 free trade agreements (FTA – Free Trade Agreements), 7 bilateral and 9 regional. Specifically, in 2022, two very important agreements were set up: the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Bilateral Agreements

1. Malaysia – Japan (Malaysia-Japan Economic Partnership Agreement (MJEPA)), 13.07.2006
2. Malaysia – Pakistan (Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA)), 01.01.2008
3. Malaysia – New Zealand (Malaysia-New Zealand Free Trade Agreement (MNZFTA)), 01.08.2010
4. Malaysia – India (Malaysia-India Comprehensive Economic Cooperation Agreement (MICECA)), 01.07.2011
5. Malaysia – Chile (Malaysia-Chile Free Trade Agreement (MCFTA)), 25.02.2012
6. Malaysia – Australia (Malaysia-Australia Free Trade Agreement (MAFTA)), 01.01.2013
7. Malaysia – Turkey (Malaysia-Turkey Free Trade Agreement (MTFTA)), 01.08.2015

Regional Agreements

1. ASEAN Free Trade Area (AFTA), 1993
2. ASEAN-China Free Trade Agreement (ACFTA), 01.07.2003
3. ASEAN-Korea Free Trade Agreement (AKFTA), 01.07.2006
4. ASEAN-Japan Comprehensive Economic Partnership (AJCEP), 01.02.2009
5. ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA), 01.01.2010
6. ASEAN-India Free Trade Agreement (AIFTA), 01.01.2010
7. ASEAN-Hong Kong Free Trade Agreement (AHKFTA), 13.10.2019
8. Regional Comprehensive Economic Partnership (RCEP), 18.03.2022

Malaysia joined this free trade agreement on 18.03.2022; it was set up on 15.11.2020, and has 15 member countries: Australia, Brunei, Cambodia, China, Indonesia, Japan, South Korea, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Thailand and Vietnam.

The agreement is open to other countries in the area joining.

The 15 member states represent around 30% of the global population (2.2 billion people) and around 30% of global GDP (29.7 trillion USD).

9. Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), 29.11.2022

Malaysia joined the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which was up on 8.02.2018, on 29.11.2022. This is a trade agreement between 11 countries: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, United Kingdom, Singapore, and Vietnam.

The member countries represent around 13.4% of global GDP.

Overall, in 2022 trade between Malaysia and the countries with which there are ongoing free trade agreements represented 67.3% of Malaysia's total trade.

6.3. Malaysia and the European Union

Commercial relations between Malaysia and the European Union have been the subject of discussions and negotiations for many years. Although there are already bilateral trade agreements between the EU and a number of ASEAN countries, including Singapore and Vietnam, a complete free trade agreement between the EU and Malaysia is still in the discussion phase.

Partnership agreement between Malaysia and the EU (PCA)

The European Union and Malaysia signed a partnership and cooperation agreement on 14 December 2022, after lengthy negotiations that began in October 2010.

The agreement will strengthen political dialogue on questions of global interest and will offer greater scope for mutually advantageous cooperation in a large number of strategic sectors, including the environment, energy, climate change, transport, trade, employment and social affairs, human rights, agriculture, non-proliferation, the fight against terrorism, the fight against organised crime and migration.

The agreement came into force after ratification by Malaysia and the member states of the EU.

At present EU-Malaysia bilateral relations are based on a cooperation agreement between the European Commission and ASEAN signed in 1980. The new partnership and cooperation agreement will replace the current agreement and will strongly reinforce relations.

6.4. Free Trade Agreement between Malaysia and EFTA

Malaysia and the EFTA (European Free Trade Association which includes, other than the European Union, Iceland, Liechtenstein, Norway and Switzerland) have been negotiating a free trade agreement since 2014. 13 rounds of negotiation have already been held, the last one in October 2022 in Kuala Lumpur.

15 working groups are focusing on the topics covered by the agreement:

1. Trade of non-agricultural goods.
2. Trade of agricultural products.
3. Trade of services.
4. Investments.
5. Rules of Origin.
6. Facilitation of exchanges.
7. Resolution of trade disputes.
8. Sanitary and phytosanitary questions.
9. Technical trade barriers.
10. Public contracts.
11. Intellectual property rights.
12. Competition.
13. Sustainable trade and development (Work and Environment).

14. Horizontal legal effect issues, dispute resolution.
15. Cooperation and production capacity.

Objectives and expected benefits

Increase in bilateral trade between Malaysia and the EFTA countries and the transfer of know-how and technology towards Malaysia.

The EFTA is one of the areas that generate most foreign investments in Malaysia. Today there are over 200 investors from the EFTA area: major ones include: Nestle, Roche, Novartis, Swatch, DKSH, Aker Solutions, Jotun Paints, Oglænd Industries, Norpower, Eltek Power and Oceaneering Services (Malaysia). Many international groups in the EFTA area have chosen Malaysia as a base for their activities in the area: Zurich Insurance, Credit Suisse Security, Ace Synergy Insurance, DNV GL, IKM Group, Wihelmsen Ships, Jordan Asia Pacific.

Italy – Malaysia double taxation agreement

The Agreement between the Government of the Italian Republic and the Government of Malaysia came into force on 18.04.1986 to avoid double taxation and to prevent tax evasion with regards to taxes on income, entered into on 28.01.1984 in Kuala Lumpur and ratified by Italy with Law 607 of 14.10.1986 published in Official Gazette no. 262 of 7 November 1985.

6.5. Malaysia's strategy

In recent years Malaysia has adopted a development strategy that starts from awareness of its strategic geographical position: within a 2-hour flight range there's a market of 660 million consumers. 50% of the world's population can be reached in a 6-hour flight radius.

The strategy for the development of the Malaysian economy, which at one time was based on agriculture and raw materials, in the last few years has been increasingly oriented towards cooperation with advanced economies to receive transfers of technologies that allow for the development of the export of high-value products. On this basis, the country has developed an important industrial and logistics infrastructure with high level industrial centres, ports, airports, and telecommunications networks.

NIMP 2030 (New Industrial Master Plan).

The NIMP 2020 is the fourth strategic plan for Malaysian economic development. Earmarked development sectors include industries with a high technological and information technology content. In 2024 important investments in the IT sector and cloud computing were announced, involving Microsoft 2,3 Md USD (AI, cloud computing), Google 2 MD USD (data centre, cloud hub), and Amazon AWS 6,2 Md USD (data centre, cloud computing).

BRICS

As part of the development of international relations, in 2024 Malaysia was invited to the BRICS Summit 2024 which will be held 22-24 October in Kazan (Russian Federation) where it is possible it will apply to join this economic organization. Malaysia's membership of BRICS in the enlarged configuration that is emerging could be a further opportunity for growth for the country.

Sources

Competent Ministries

Italy: Ministry of Foreign Affairs and International Cooperation (MAECI), Ministry of Economic Development (MISE). ICE – Agency for the promotion abroad and the internationalisation of Italian enterprises. The ICE provides support to Italian enterprises that wish to export to Malaysia and offers updated information on FTAs.

Malaysia: Ministry of International Trade and Industry (MITI). The MITI is the Malaysian government body responsible for promoting international trade and investments. Malaysian Investment Development Authority (MIDA). The MIDA is the Malaysian government body that promotes direct foreign investments in the country.

Useful links:

1. Ministero degli Affari Esteri e della Cooperazione Internazionale (MAECI) - [MAECI's official site](#)
2. Istituto Nazionale di Statistica (ISTAT) - [ISTAT's official site](#)
3. Camera di Commercio Italiana in Malaysia - [Official site of the Italian Chamber of Commerce in Malaysia](#)
4. World Trade Organisation (OMC) - [the WTO's official site](#)
5. Eurostat - [Eurostat's official site](#)
6. Malaysia's Ministry of Investment, Trade and Industry (MITI) - [MITI's official site](#)
7. Citaly – Malaysia Double Tax Agreement - [www.finanze.gov.it/export/sites/finanze/galleries/Documenti/Varie/MALESIA_1984-Testo_G.U._ita_en.pdf](#)
8. Malaysia Ministry of Investment, Trade and Industry - [www.miti.gov.my/](#)
9. NIMP 2030 (New Industrial Master Plan 2030) - [www.nimp2030.gov.my/](#)
10. EFTA (European Free Trade Association) - [www.efta.int](#)
11. MIDA – Malaysia Investment Development Agency - [www.mida.gov.my](#)
12. [The new requirements for hiring a foreign employee in Malaysia \(aseanbriefing.com\)](#)
13. [Guida How to do Business in Asean \(aseanbriefing.com\)](#)
14. [Malaysia Labour Laws | PayrollPanda](#)
15. <https://www.kwsp.gov.my/en/employer/responsibilities/mandatory-contribution>
16. <https://www.perkeso.gov.my/en/our-services/employer-employee/kadar-caru-man.html>
17. <https://www.mida.gov.my/invest-in-malaysia/setting-up-business/>
18. <https://www.mondaq.com/international-trade-amp-investment/1229464/tax-exemptions-for-foreign-investors-in-malaysia>

Members of the board of CNDCEC

President

Elbano de Nuccio

Vice President

Michele de Tavonatti

Secretary

Giovanna Greco

Treasurer

Salvatore Regalbuto

Board Members

Gianluca Ancarani

Marina Andreatta

Cristina Bertinelli

Aldo Campo

Rosa D'Angiolella

Fabrizio Escheri

Gian Luca Galletti

Cristina Marrone

Maurizio Masini

Pasquale Mazza

David Moro

Eliana Quintili

Antonio Repaci

Pierpaolo Sanna

Liliana Smargiassi

Gabriella Viggiano

Giuseppe Venneri

BOARD OF AUDITORS

President

Amedeo Sacrestano

Board Members

Stefano Banchetti

Marco Rigamonti

CNDCEC

Piazza della Repubblica, 59

00185 - Roma

Tel. 06.47863300

Fax. 06.47863349

E-mail info@commercialisti.it

Web. www.commercialisti.it

The National Foundation - FNC

MANAGEMENT BOARD

President

Antonio Tuccillo

Vice President

Giuseppe Tedesco

Board members

Francesca Biondelli

Antonia Coppola

Massimo Da Re

Cosimo Damiano Latorre

Andrea Manna

Claudia Luigia Murgia

Antonio Soldani

BOARD OF AUDITORS

President

Rosario Giorgio Costa

Board Members

Ettore Lacopo

Antonio Mele

FNC

Piazza della Repubblica, 68

00185 - Roma

Tel. 06.4782901

Fax. 06.4874756

E-mail info@fncommercialisti.it

Web. www.fondazione nazionalecommercialisti.it

Composition of AICEC

President

Giovanni Gerardo Parente

Vice President

Michele Locuratolo

Secretary

Gaetana Rota

Treasurer

Giovanni Cappietti

Advisors

Francesca Coccia

Alessandra Moscone

Pier Paolo Perotto

Sole Auditor

Davide Tommaso Dal Dosso

WORKING GROUP “GUIDA MALESIA”

Coordinator

Alessandra Moscone

Members

Andrea Grazia

Andrea Volpe

Fabio Rizzo

Ilaria Cinotto

Marco Camerini

Paolo Operti

Antonella Ferraro



9 788899 517564