



DEZAN SHIRA & ASSOCIATES

Your Partner for Growth in Asia

Crash Course on Starting a Business in Malaysia

Marcos Salgado & Hazli Johar

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Setting Up a Company in Malaysia

Generally, the most suitable structure for foreign investors in Malaysia is establishing a **private limited company**, known as **Sdn Bhd** (Sendirian Berhad).

A private limited company has the suffix “Sdn Bhd” as part of the company name and it is a separate legal entity from its shareholders. This means that it is a taxable entity in its own right and shareholders of a private limited company in Malaysia are not liable for its debts and losses beyond their amount of share capital.

Private Limited Company – "Sdn Bhd"

COMPANY NAME

The first step for incorporating a limited company in Malaysia is applying for a company name. It is required to lodge a name search application to the Companies Commission of Malaysia, also known as *Suruhanjaya Syarikat Malaysia* (SSM), to check the availability of the chosen name and obtaining SSM's approval. The name search application usually takes 1-2 working days. Upon approval, it will be reserved for a maximum period of three (3) months.

REGISTERED ADDRESS

As per the Companies Act, a Company shall, from the day of commencement of the business, or within 14 days after the date of company registration, whichever is earlier, have its registered office situated in Malaysia.

Every limited company in Malaysia shall inform the Companies Commission of Malaysia "Suruhanjaya Syarikat Malaysia" (SSM) the location of its registered office by submitting the Form 44 to the SSM. It is important to underline that all statutory books and records must be kept at the company's registered office.

LOCAL DIRECTOR

The Companies Act requires every limited company to appoint at least one director who is ordinarily a resident in Malaysia.

Private Limited Company – "Sdn Bhd"

SHAREHOLDERS

A Malaysia private limited company can have a minimum of 1 shareholder and a maximum of 50 shareholders. A director and shareholder can be the same or different person. The shareholder can also be an individual or owned by a local or foreign corporate shareholder. Shareholders of a private limited company are generally not liable for the debts of the company, aside from their financial contribution to the company.

COMPANY SECRETARY

As per the Companies Act, every limited company registered in Malaysia (Sdn.Bhd.), either owned by local Malaysians or foreigners, must appoint a qualified Company Secretary. According to the Companies Acts 1965 Section 139A (a) & (b), the company secretary must meet the following requirements:

- He or she shall be a natural person of full age (18 years old) who has his or her principal or only place of residence in Malaysia, and
- He or she is a Chartered Accountant (registered under Malaysian Institute of Accountants (MIA)), or
- He or she is a Chartered Secretary (registered under Malaysian Institute of Chartered Secretaries and Administrators (MAICSA), or
- He or she is a Licensed Secretary (licensed by Company Commission of Malaysia to be company secretary), or
- He or she is a Lawyer (registered with Malaysian Bar, or relevant authorities)
- He or she must not be bankrupt and is not convicted of any offence under Section 130(1) of the Companies Act.

Branch Office

A **branch office** is not a separate legal entity. It is an extension of the foreign parent company and must conduct the same business activities as the parent company.

The foreign parent company is liable and responsible for all the debts of the branch in Malaysia. It is more convenient for those companies interested in short-term projects in Malaysia.

There must be at least one Malaysian resident agent to set up the branch in Malaysia.

Branch Office – Requirements

COMPANY NAME

Same as the foreign parent company.

OFFICERS

There must be at least one resident agent to set up the branch office.

PERSONNEL

There are no restrictions on hiring foreign or local staff for a Malaysia Branch Office.

DOCUMENT CHECKLIST

- Certified copy of the certificate of the CI of the parent company
- Certified copy of the M&A
- POA proving that the parent company has appointed a local agent
- Form 79 – Return by foreign company giving particulars of directors and changes of particulars

The documents must be translated to Malay or English

Representative Office

A representative office (RO) is a non-trading entity that allows foreign companies to have a presence in Malaysia for market research purposes. The RO can hire expats to explore business opportunities in Malaysia.

- Period of 2-5 years
- No tax imposed

A RO is able to:

- ✓ collect information on investment opportunities
- ✓ promote the export of Malaysian goods and services; and
- ✓ Carry out market research and development (R&D).

Open a corporate bank account in Malaysia

- Complete the application forms
- Recommendation of an introducer depending on the bank
- Incorporated company's rubber stamp
- Photocopies of Identifications from company's directors and authorised signatories
- Certified true copy by the Company Secretary of:
 - Resolution from Board of Directors to open account & list of authorised signatories.
 - Form 24 – Return of Allotment of Shares
 - Form 49 – List of Directors
 - Form 44 – Registered Office Address
 - Company's Constitution
 - Borang 9 – Certificate of Incorporation
- All directors and authorised persons must physically present.

Work permits in Malaysia

EMPLOYMENT PASS

This pass is issued to employees with specific skills, usually for technical or managerial jobs.

The employment pass is classified into three categories:

Category I: A monthly base salary of 10,000 ringgit (US\$2,410) or more and have an employment contract of up to 60 months.

Category II: A monthly base salary of above 5,000 ringgit (US\$1,200) and under 10,000 ringgit (US\$2,410). An employment contract with a maximum validity period of 23 months. The employment pass may be renewed.

Category III: Suitable for foreign nationals working on contracts of 12 months or less and with monthly salaries ranging from 3,000 ringgit (US\$723) and under 5,000 ringgit (US\$1,200). The employment pass may be renewed up to two times.



Work permits in Malaysia

TEMPORARY EMPLOYMENT PASS

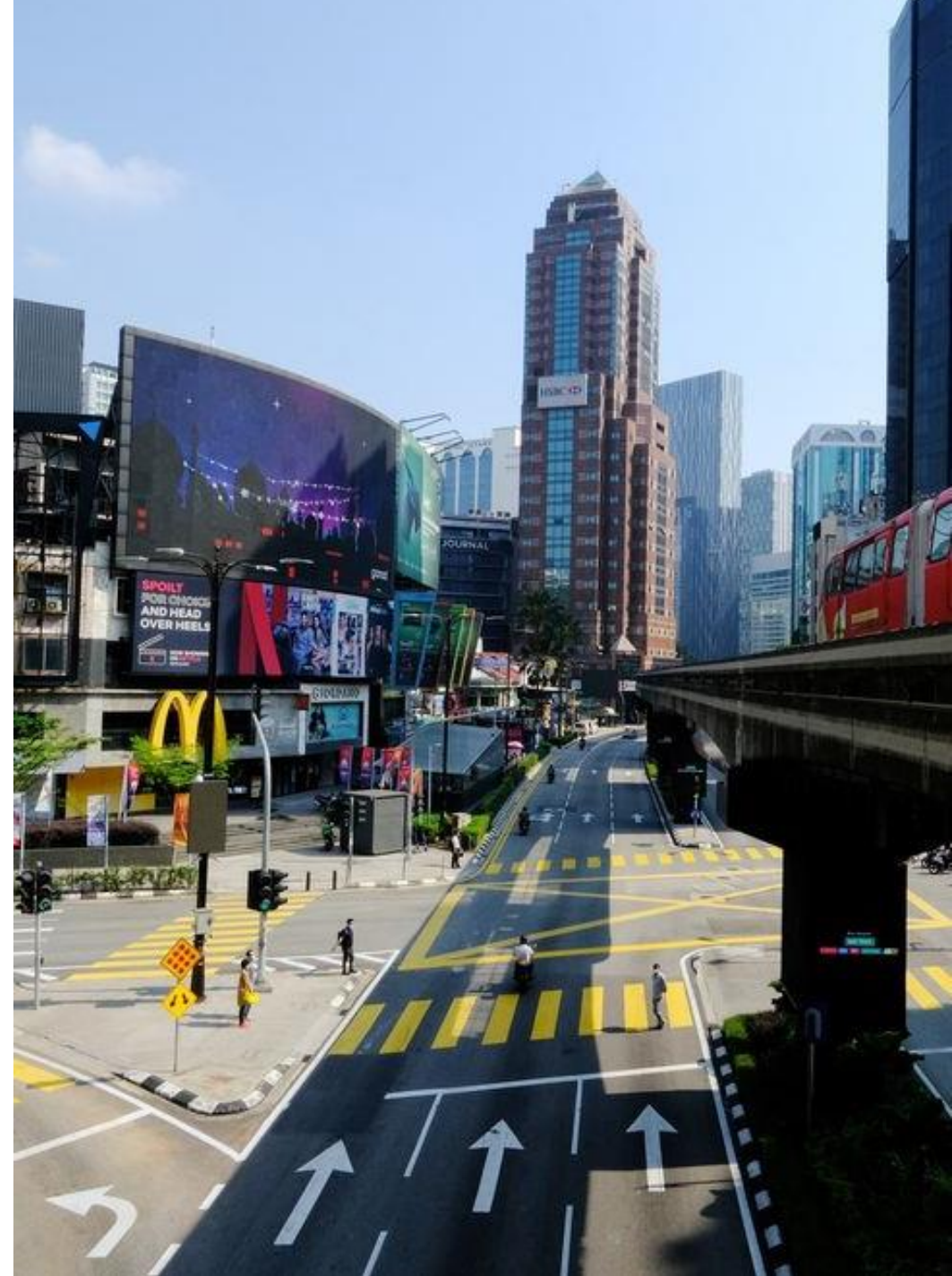
Malaysian companies requiring the immediate services of semi-skilled foreign workers in specific sectors can obtain a temporary employment pass, also known as a visitor's pass. The pass is valid for a period of 12 months and employers can apply for an extension on a yearly basis for up to 10 years.

There are two types of temporary employment passes in Malaysia:

- For foreign workers in the construction, plantation, agriculture, manufacturing, and services; and
- Foreign domestic helpers.

PROFESSIONAL VISIT PASS

The professional visit pass is granted to foreign workers with the necessary qualifications or skills to work in Malaysia on a temporary basis for up to 12 months. They can only provide their services to a Malaysian company on behalf of an overseas company.



Personal Tax in Malaysia



Malaysia individual income tax rates are progressive, **up to 30%.**

An individual is considered tax resident if he/she is in Malaysia for **182 days or more** in a calendar year

Individual income tax (2021)	Progressive rates from 0% to 30%
Up to MYR 5,000	0%
MYR 5,000 - 20,000	1%
MYR 20,001 - 35,000	3%
MYR 35,001 - 50,000	8%
MYR 50,001 - 70,000	13%
MYR 70,001 - 100,000	21%
MYR 100,001 - 250,00	24%
MYR 250,001 - 400,000	24.5%
MYR 400,001 - 600,000	25%
MYR 600,001 - 1,000,000	26%
MYR 1,000,001 - 2,000,000	28%
Above 2,000,000	30%

Corporate Tax in Malaysia



The Malaysian tax system is territorial. Therefore, residents and non-residents are taxed on their Malaysian-sourced income.

There is no tax on capital gains from the sale of investments or capital assets other than those related to land and buildings.

Corporate Tax Rate	24%
Corporate tax rate for SMEs (less MYR 2.5 million capitalization)	17% on the first MYR 600,000 24% above MYR 600,000
Non-resident companies	24%
Corporate tax for Labuan companies	3% of the audited income or 0% of the audited income for Investment holding co.
Petroleum income tax	38% on income from petroleum operations in Malaysia 25% on income from petroleum operations in marginal fields



Withholding Tax in Malaysia

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



Types of taxable income	Tax rate
Interest	15%
Royalty	10%
Technical fee	10%
Rental of movable property, fee for service rendered in Malaysia and other earnings	10%

Thank You!

Got any questions?

Please contact: ASEAN@dezshira.com



Marcos Salgado

*Manager, International Business Advisory
Dezan Shira & Associates*



Hazli Johar

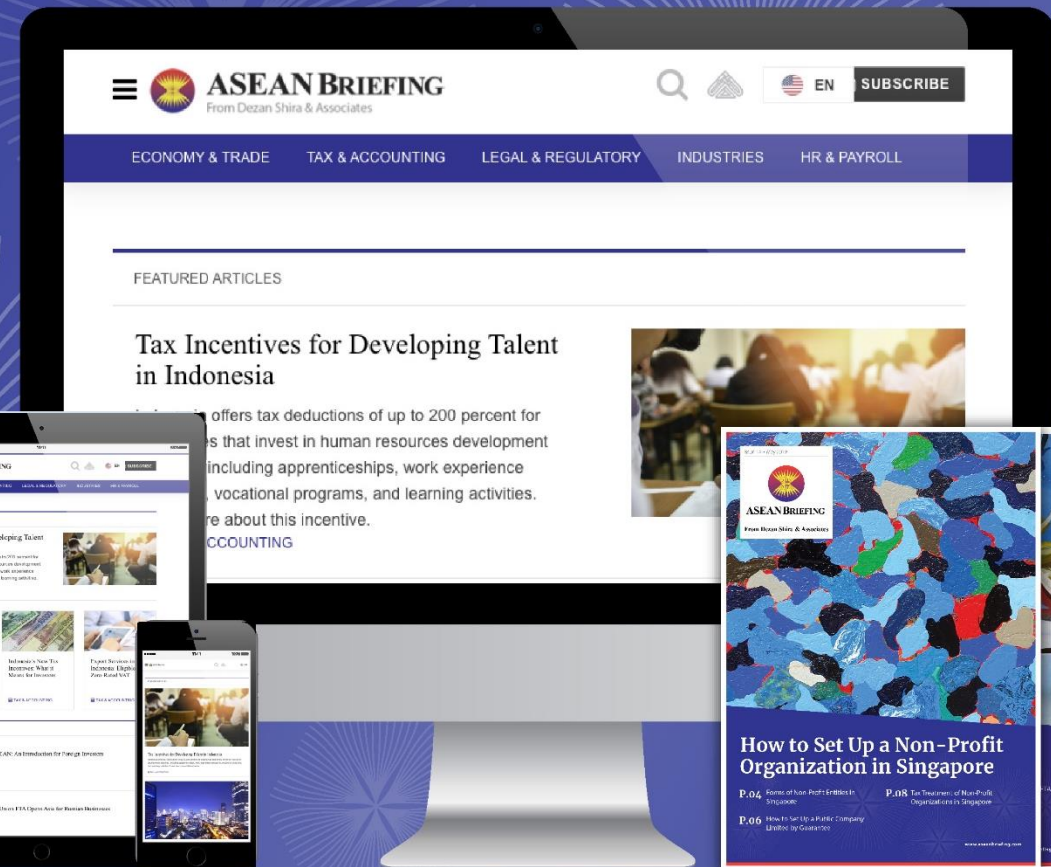
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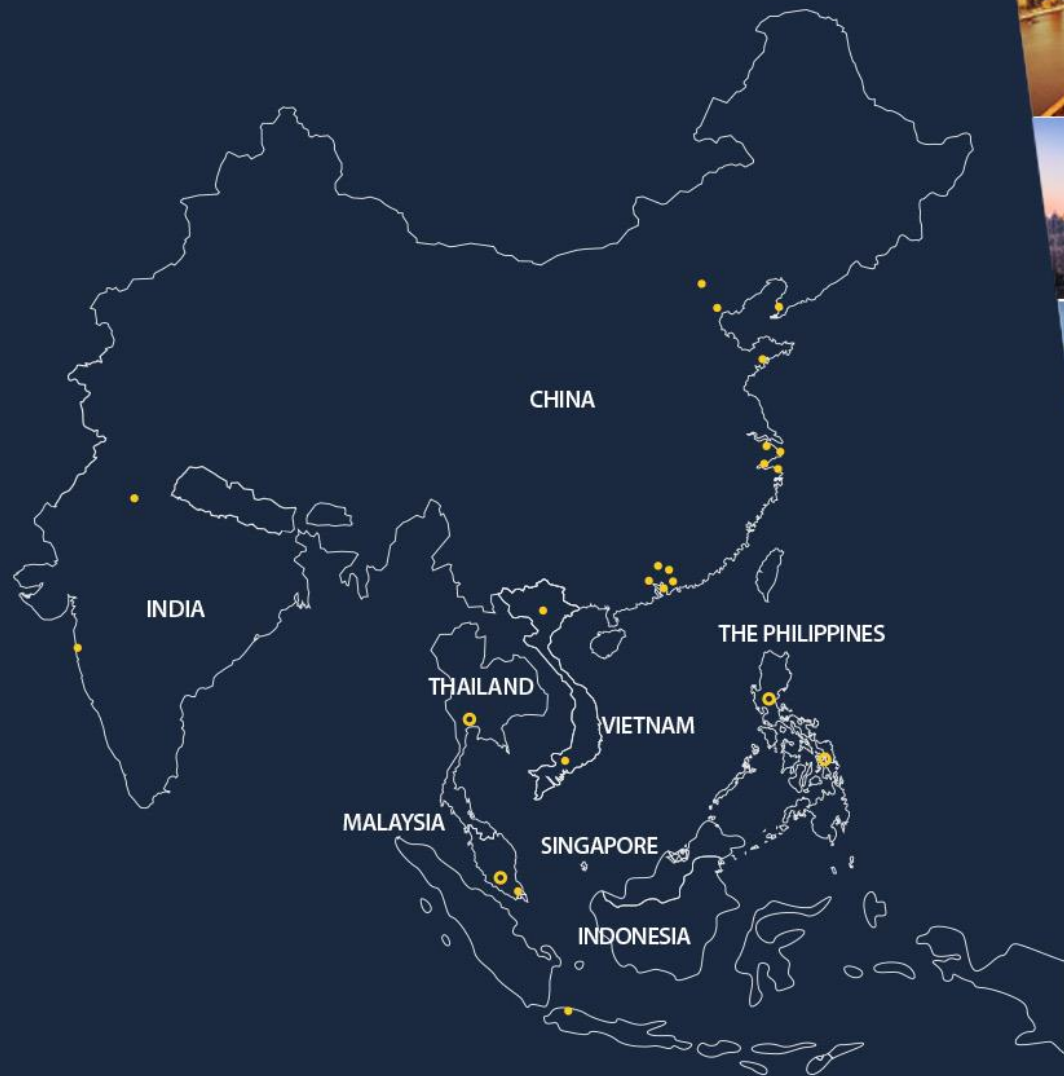
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Global Offices

CHINA

Beijing
beijing@dezshira.com

Hangzhou
hangzhou@dezshira.com

Shenzhen
shenzhen@dezshira.com

Dalian
dalian@dezshira.com

Ningbo
ningbo@dezshira.com

Suzhou
suzhou@dezshira.com

Dongguan
dongguan@dezshira.com

Qingdao
qingdao@dezshira.com

Tianjin
tianjin@dezshira.com

Guangzhou
guangzhou@dezshira.com

Shanghai
shanghai@dezshira.com

Zhongshan
zhongshan@dezshira.com

HONG KONG

hongkong@dezshira.com

INDONESIA

indonesia@dezshira.com

SINGAPORE

singapore@dezshira.com

INDIA

Delhi
delhi@dezshira.com

Mumbai
mumbai@dezshira.com

VIETNAM

Hanoi
hanoi@dezshira.com

Ho Chi Minh City
hcmc@dezshira.com

DEZAN SHIRA ASIAN ALLIANCE MEMBERS

Malaysia
malaysia@dezshira.com

The Philippines
philippines@dezshira.com

Thailand
thailand@dezshira.com

DEZAN SHIRA LIAISON OFFICES

Germany
germandesk@dezshira.com

Italy
italiandesk@dezshira.com

United States
usa@dezshira.com

For more information, please visit www.dezshira.com



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