Guide to Malaysia

Opportunities and Limitations in Manufacturing

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1. Overview of Malaysia

Executive Summary

Malaysia has sustained rapid growth and economic development since gaining independence in 1957 and is now on the edge of becoming a high income country. It is an open economy which actively supports investments and international trade.

The country is engaged in seven bilateral trade agreements with other countries in Asia-Pacific, Latin America and Western Europe. These agreements eliminate tariffs and incentivise investments in a number of industries. As part of the Association of Southeast Asian Nations (ASEAN), Malaysia also benefits from six other multilateral trade agreements with Mainland China, South Korea, Japan, India, Australia and New Zealand.

Malaysia is also an attractive country for foreign investments due to its long lasting political stability. However, the effects of the recent regime change and corruption scandal need to be considered before investing in the country.

1. Overview of Malaysia

I. Country Profile[1,2,3,4,5,6,7]

Malaysia has consistently exhibited openness to trade and investment, with a trade to gross domestic product (GDP) ratio averaging around 130% over the last decade. The country diversified itself from an agricultural and commodity-based economy to a large player in the manufacturing and service sector, and is now also a leading exporter of electrical appliances. Malaysia's open policies related to trade and investments have been crucial for employment creation and income growth. Malaysia is classified as an upper-middle income country and is expected to transform to a high income country by 2024. However, to ensure future development, the government has to sustain the private sector activities as the external environment is increasingly challenging Malaysia's export-led growth.

GDP *(in USD)*
372.7 billion (2019f)
354.9 billion (2018)

GDP Per Capita *(in USD)*
11,484 (2019f)
11,075 (2018)

Economic Structure
(in terms of GDP composition, 2017)
Agriculture: 8.8%
Industry: 37.6%
Services: 53.6%

External Trade *(% of GDP)*
Import: 62.6% (2018)
Export: 69.7% (2018)

Population
32.45 million (2019)
World ranking: 45/191

Median Age
28.7 (2018)
World ranking: 130/228 (from oldest to youngest)

Language
Bahasa Malaysia (official)
English
Chinese

English Literacy
High proficiency (2018)
World ranking: 22/88

Government Structure
Federal constitutional monarchy

Land Area
328,550 sq. km

II. Country Profile on Trade

A. International Trade Agreements and Restrictions

International trade agreements provide various benefits for the participating countries. It allows companies of two or more countries to trade goods with eliminated or decreased tariffs which enhances economic growth on both sides. Malaysia is a full member of ASEAN and the World Trade Organization (WTO), which gives the country preferential access to the Southeast Asian markets and international trade.

Currently, Malaysia has 15 signed and effective trade agreements, including seven bilateral and eight collective trade agreements, including the ASEAN Free Trade Area (AFTA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). In addition, the ASEAN – Hong Kong Free Trade Agreement (FTA) has been signed and will come into effect soon (see section below). Furthermore, there are five bilateral trade agreements under negotiation (with the US, European Union (EU), European Free Trade Association, Regional Comprehensive Partnership, and South Korea) and another six proposed. The most recent negotiations began in June 2019, where Malaysia initiated bilateral FTA negotiations with South Korea. However, negotiations between Malaysia and the EU have been suspended due to rising tensions between the two parties. In March 2019, the EU implemented restrictive measures against Malaysian palm oil and related products. Malaysian government is considering retaliatory actions including suspending free-trade discussions with the EU and restricting imports of French products.

Signed and Effective Bilateral Trade Agreements[8] (Part 1/2)

	Affected Industry	Agreement (signing date)
	• Agriculture • Industrial products • ICT	**Japan-Vietnam Economic Partnership Agreement (2006)** • Comprehensive agreement covering the liberalisation and facilitation of trade and investments. • Progressive reduction or elimination of nearly all tariffs on industrial and agricultural products (including forestry and fishery). • Foster cooperation in education and human resources development, information and communications technology (ICT), as well as science and technology.
	• Agriculture • Industrial products • Healthcare	**Malaysia-Pakistan Closer Economic Partnership Agreement (2008)** • Trade liberalisation, investment facilitation and technical cooperation in areas such as intellectual property protection, construction, tourism, healthcare and telecommunications. • Progressive reduction or elimination of tariffs on industrial and agricultural products.
	• All	**New Zealand-Malaysia Free Trade Agreement (2010)** • Liberalisation of trade in goods and services, travel facilitation between the two countries for individuals. • Full tariff elimination of exports from Malaysia (i.e. 0% duty on all goods entering into New Zealand).

Signed and Effective Bilateral Trade Agreements[8] (Part 2/2)

	Affected Industry	Agreement (signing date)
	• Healthcare • Telecom • Retail	**India-Malaysia Comprehensive Economic Cooperation Agreement (2011)** • Progressive reduction or elimination of tariffs on industrial and agricultural products. • Allows foreign equity shareholding from 49% to 100% in sectors such as professional services, healthcare, telecommunications, retail and environmental services.
	• Industrial products • Food • Apparel	**Malaysia-Chile Free Trade Agreement (2012)** • Progressive reduction or elimination of tariffs on industrial products (e.g. electronics, rubber, paint), wood, metals, food, apparel, and clothing. • Excluded items: alcoholic beverages, tobacco, explosive and some foods (e.g. rice, sugar, and honey).
	• Telecom • Financial services	**Australia-Malaysia Free Trade Agreement (2013)** • Complement the ASEAN-Australia FTA with the liberalisation of services and investment facilitation in telecommunications and financial services. • 0% duty on Malaysian exports; Malaysia will eliminate 99% of tariffs by 2020.
	• Textile • Agriculture and food	**Malaysia-Turkey Free Trade Agreement (2015)** • Progressive reduction or elimination of tariffs on textile, agricultural and fishery products, food.

Signed and Effective Regional Trade Agreements as Member of the ASEAN

As a member of the ASEAN, Malaysia benefits from agreements signed between the association and other countries. Therefore, the country has effective FTAs with: Mainland China (2005), South Korea (2007), Japan (2008), India (2010), Australia and New Zealand (2010).

In addition to these bilateral and multilateral agreements, another recent key FTA for Malaysia is the CPTPP, which opened up an important trading bloc.

The Comprehensive and Progressive Trans-Pacific Partnership (CPTPP)[9]

Originally an American initiative, the Trans-Pacific Partnership (TPP) has been amended since the withdrawal of the USA. The remaining 11 countries therefore decided to sign a new FTA called the CPTPP or TPP11. This agreement is set between Canada and 10 other countries in Latin America and Asia-Pacific: Chile, Peru, Mexico, Australia, New-Zealand, Singapore, Brunei, Malaysia, Vietnam and Japan. The CPTPP fully entered into force in January 2019 creating a trading bloc of 495 million consumers representing an estimated 13.5% of global GDP with reduced tariffs for agriculture, metals, wood and fishery products.

The Association of Southeast Asian Nations (ASEAN)

The ASEAN was founded in 1967 and currently has 10 members. The five founding members are Indonesia, Singapore, Malaysia, the Philippines, and Thailand. The remaining five countries joined in subsequent years: Brunei in 1984, Vietnam in 1995, Laos in 1997, Myanmar in 1997, and Cambodia in 1999.

ASEAN Members

The Association's Three Major Goals:

- Acceleration of economic growth, social progress and cultural development in the region;
- Promotion of regional peace and stability in Southeast Asia; and
- Foster cooperation and mutual assistance in economic, social, cultural, technical, scientific and educational fields.

The ASEAN Free Trade Area (AFTA)

In 1992, ASEAN countries decided to strengthen this comprehensive cooperation by implementing the AFTA. The main objective of the AFTA is to increase the region's economic competitive advantage through trade liberalisation and the elimination of tariffs and non-tariff barriers among the ASEAN members.

The Common Effective Preferential Tariff (CEPT) Agreement for AFTA reduces the tariff rates on a wide range of products within the region to 0-5%. In addition, restrictions on quantity traded and other non-tariff barriers are eliminated.

The CEPT covers all manufactured products, including capital goods and processed agricultural products, and those falling outside the definition of agricultural products. Agricultural products are excluded from the CEPT Scheme (further details on www.asean.org).

There are only three situations where a product can be excluded from the CEPT Scheme:

- General Exceptions: a member may exclude a product considered necessary for the protection of its national security, the protection of public moral, the protection of human, animal or plant life and health, and the protection of articles of artistic, historic or archaeological value;
- Temporary Exclusions: a member which is temporarily not ready to include certain sensitive products (i.e. rice) in the CEPT Scheme may exclude such products on a temporary basis; and
- Unprocessed agricultural goods.

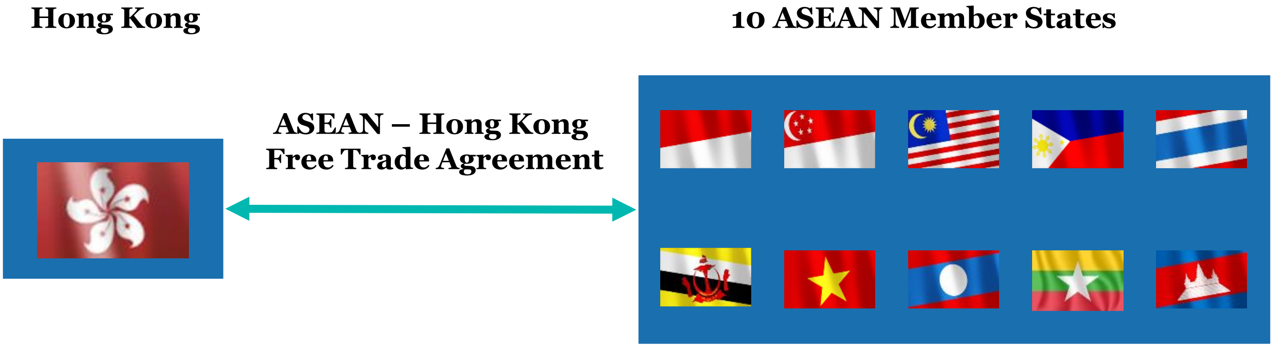
International Trade Agreement between Hong Kong and the ASEAN[10]

Overview

Trade within the region has been booming since the removal of tariffs between the ASEAN member states in 2015.

Hong Kong and the ASEAN announced the conclusion of negotiations on their Free Trade Agreements in September 2017 and forged agreements on 12 November 2017. Member states agreed to progressively cut down or eliminate custom duties on goods originating from Hong Kong. The agreements are comprehensive in scope and cover trade of goods and services, investments, economic and technical cooperation, dispute settlement, and other relevant areas.

The ASEAN was Hong Kong's second largest merchandise trade partner in 2018 with a total value of HKD 1.1 trillion (around 12% of the total trade value).



Entry

Free Trade Agreement: 11 June 2019

Investment Agreement: 17 June 2019

Both for the parts relating to Hong Kong and Laos, Myanmar, Singapore, Thailand, and Vietnam. The dates of entry for the remaining five countries have not been announced yet.

Affected Major Industries

The tariff reduction commitments cover different kinds of major Hong Kong export commodities, such as (non-exhaustive):

- Jewellery
- Watches and Clocks
- Apparel and Clothing Accessories
- Toys

Other Affected Industries

- Food and Beverages
- Chemicals
- Pharmaceutical
- Metals
- Plastics & Rubber
- Footwear
- Machinery and Mechanical Appliances

B. Government Structure[11,12]

Malaysia is a federal constitutional monarchy composed of 13 states. Nine of these states have hereditary rulers, the Sultans. Each of them serves as the constitutional head of their state. The other four states are headed by governors appointed for fixed terms. The King of Malaysia (the Yang di-Pertuan Agong or Paramount Ruler) is elected by the Sultans from among their number for five years. He acts as the Head of the State under the advice of the government (led by the Prime Minister).

- In Malaysia, the executive power is shared between the Federal Government headed by the Prime Minister, and the sultans/governors of the 13 states. Each state has its own "local" government.
- The legislative power is shared between the Federal House of Representatives (Dewan Rakyat), the Senate (Dewan Negara), and the states' elected legislative assemblies. The Malaysian voters also elect the 222 members of the Dewan Rakyat. The Prime Minister is selected from these members.
- The judiciary system is independent from the executive branch.

In May 2018, Malaysia underwent its first regime change in its political history. During the 14th Malaysian General Election, the United Malays National Organisation (UMNO), was defeated by the Pakatan Harapan (PH or Alliance of Hope); therefore ending six decades of one-party rule. The next general election will be held in 2023.

C. Political Uncertainties and Historical Coup Records[13,14,15]

Malaysia is considered as a fairly politically stable country as it has been ruled by the same elected party for more than 60 years. Malaysia ranked 89th out of 194 countries in the World Bank's Political Stability Index (with an above average value of 0.16 in 2017). However, some recent events can create political uncertainties.

- The ruling coalition is facing internal tensions. The Pakatan Harapan coalition is formed by four different parties, and recently major ideological differences have emerged. Three of them want to reform the country and eliminate previous practices, whereas the current leader (Mahatir) is more conservative. The other major issue shaking the coalition is the change of leadership announced for 2020. The current Prime Minister, Mahathir Mohamad, pledged to hand over the power to Anwar Ibrahim in 2020. If he keeps his promise, Malaysia's political direction would then experience a change, thus fuelling a state of uncertainty.
- Malaysia was recently shaken by a major corruption scandal involving the former Prime Minister (PM) Najib Razak. When he became PM in 2009, Mr Najib created the Malaysia Development Berhad (1MDB) fund, originally intended as a vehicle to create long-term economic development in Malaysia. In 2015, six different countries launched an investigation on the fund for money laundering. The US Department of Justice declared that USD 4.5 billion were misappropriated from 1MDB and that Mr Najib used his position as PM to channel around USD 800 million for personal use. He was arrested in 2018 and is currently awaiting trial. Top Malaysian executives were also affected by this scandal, which led to the change of political regime as mentioned above.

Source:

[1] *The World Bank, 2019*

[2] *Malaysia 10-Year Forecast, Fitch Solutions, 2019*

[3] *The World Factbook, CIA*

[4] *Imports of Goods and Services (% of GDP), Exports of Goods and Services (% of GDP), The World Bank*

[5] *Malaysia population, Worldometers 2019*

[6] *EF English Proficiency Index, EF Education First*

[7] *Geography Statistics Of Malaysia, Worldatlas*

[8] *Malaysia Ministry of International Trade and Industry; WTO Regional Trade Agreements database*

[9] *What is the CPTPP?, Government of Canada*

[10] *The Government of Hong Kong Special Administrative Region – Trade and Industry Department, Press Release 2019*

[11] *Doing Business In Malaysia, PwC, 2018*

[12] *'New' Malaysia: four key challenges in the near term, Lowy Institute, 2019*

[13] *Political Stability And Absence Of Violence/Terrorism, World Bank*

[14] *Malaysia's economy suffers as political instability continues post GE14, ASEAN Today, 2019*

[15] *Malaysia's former prime minister Najib Razak faces more than 100 years in jail, ABC News, 2019*

2. Legal Environment and Competition Law

Executive Summary

Malaysia attracts foreign investments with open economic policies. Only a few sectors are restricted for foreigners and there has been no overarching ceiling for foreign equity ownership since 2009.

Mainland China and Hong Kong investors can choose to set up different types of business entities. It is possible to set up a 100% foreign-owned enterprise such as a Limited Liability Company, amongst other types. In addition, foreign investors can set up a Branch office to expand their business to Malaysia and explore opportunities to expand their manufacturing footprint on a short-term basis, with comparatively low administrative efforts.

Malaysia has a relatively liberalised import and export tariff regime and many goods can be traded without a license.

2. Legal Environment and Competition Law

Malaysia welcomes and actively attracts foreign direct investment (FDI). There are no restrictions on the repatriation of capital and profits. Since the Foreign Investment Committee was abolished in 2009, the regulations around FDI were liberalised over different phases. In addition, the overarching ceiling of 70% foreign equity ownership has been removed. Currently, the restrictions on foreign investment are minimal, however, there are still sector-specific regulations issued by the relevant government departments. Investments are also governed by different laws, such as the Industrial Coordination Act (1975) governing investments in manufacturing. The Act requires any company or individual engaging in manufacturing activities (with a few exemptions) to obtain a license issued by the Malaysian Investment Development Authority (MIDA).

Malaysian law only distinguishes between Malaysian and foreign companies and does not outline special laws for Mainland China or Hong Kong companies that consider expanding their manufacturing footprint to Malaysia.

The Principal Industries that are Subject to Restrictions on Foreign Investment Include[1,2]

- Financial services;
- Capital markets;
- The insurance and Islamic insurance (takaful) industries;
- Textile, restaurant (non-exclusive), bistro, jewellery shops;
- Communications and multimedia;
- Wholesale and distributive trade (in relation to hypermarkets and food & restaurant businesses);
- Education;
- Freight forwarding and shipping;
- Energy supply; and
- Professional services.

The upper limit on foreign equity ownership of investment banks, Islamic banks, insurance companies, and takaful operators is 70%. Telecommunications network providers are also limited to 70% foreign ownership. For the oil and gas sector, the foreign ownership limit is set at 49%. For fund management and manufacturing companies, 100% foreign ownership is allowed. Nevertheless, there are certain foreign investment share limitations as well as minimum required ownership by indigenous ethnic groups, known as Bumiputera, in specific sectors. For further information, please refer to section 8 of this report or contact the Ministry of International Trade and Industry (MITI) or the MIDA.

I. *Types of Legal Business Entities Available for Foreign Investment*[2,3,4]

There are several different main structures available for investors seeking to expand their manufacturing footprint or business from Mainland China or Hong Kong to Malaysia. The country liberalised its equity policies in 2009 and now offers the possibility of setting up a 100% foreign-owned company in most industries. For industries where 100% foreign ownership is restricted, investors from Mainland China and Hong Kong could consider entering into a joint venture with a local partner. The most common company type in Malaysia is the Limited Liability Company (limited by shares), as the shareholders are not liable for the company's debts beyond the amount of share capital they have subscribed to.

Some main forms of doing business or expanding the manufacturing footprint to Malaysia include:

1. Limited Liability Company (LLC)
2. Limited Liability Partnership (LLP)
3. Partnership or sole proprietorship
4. Joint Venture (JV)
5. Branch office
6. Representative/Regional office

Limited Liability Company (LLC)

LLCs must meet the formal requirements stated in the Companies Act 1965. There are three applicable company types. Each of them has to appoint auditors to verify the financials, records, accounts and statements; they are also obliged to have at least one company secretary attending the annual general meeting as well as the board and shareholders' meetings.

A foreign investor can be the sole shareholder of the company (holding 100% of the shares). However, if the same person wants to be the sole director of the company, the Companies Act requires the person to reside in Malaysia. Companies are established as separate legal entities with a minimum of one and a maximum of 50 shareholders (if the company is private).

A Mainland China or Hong Kong company seeking to expand to Malaysia has to apply for an employment pass. A paid-up capital of MYR 500,000 (around USD 120,000) is required if the company is 100% foreign owned. A mixed foreign and local ownership requires MYR 350,000 (around USD 84,000).

Companies Limited by Shares

This type of company limits the liability of its members to the extent of the amount of capital invested. This means that if the company becomes insolvent, the members are not obliged to pay the company's debts (if no guarantee is given by any member). This business type is identified in Malaysia as "Sendirian Berhad" or "Sdn. Bhd." together with the company name.

Companies Limited by Guarantee

The liability of this company type is limited to the amount the members guaranteed or specified in the Memorandum and Articles of Association during the establishment process. This type is often chosen by non-profit organisations, societies and clubs.

Unlimited Companies

This type of company does not place a limit on the liability of its members. This means that the members of this company are personally liable for the debts of the company without limit, if the assets of the company are not sufficient. Generally, this company type is very similar to partnerships, however, the major difference is that the unlimited company is free to return capital to its members and it is required to have articles of association.

Registration Process and Timeline

As the first step for a Mainland China or Hong Kong company wishing to register as an LLC in Malaysia, an application of the availability of the company name has to be submitted to the Companies Commission Malaysia (CCM). In addition, the applicant has to attach a letter of consent from the company which owns the trademark or the company name. The approval of the company name usually takes approximately three days.

Subsequently, together with a registration fee of MYR 1,000 (around USD 240), various registration documents have to be submitted to the CCM within one month upon approval of the name (non-exhaustive):

- The Application for Registration of a Company which includes amongst others:
  - A description of the nature of the business;
  - Particulars of the director(s);
  - Registered address; and
  - Where a company member is a corporate body, a copy of the board resolution authorising the subscription for share(s) of the company, certified by two directors or a director and the secretary of the corporate body.

If all requirements are met, the CCM issues a Notice of Registration which means that the company is duly registered under the Companies Act 2016. The incorporation process usually takes approximately 10 working days.

Limited Liability Partnership (LLP)

LLPs combine the characteristics of a conventional partnership and a private company. They provide flexibility of internal arrangements through an agreement between partners as well as limited liability status. An LLP is a separate legal entity, therefore, any changes in relation to the partners will not affect the rights of liabilities of the LLP itself.

LLPs are governed under the Limited Liability Partnerships Act 2012. They are separate legal entities and the company names in Malaysia end with "PLT" which stands for Perkongsian Liabiliti Terhad. A minimum of two shareholders is required and there is no maximum limit. The advantage of an LLP is that the registration process is much easier compared to other company types, therefore, entrepreneurs often chose an LLP to start their business.

The registration process and timeline are basically the same as for an LLC, however, in this case the applicant must provide information about every person who is going to be a partner.

Partnership or Sole Proprietorship

All partnerships and sole proprietorships except for LLPs are unincorporated and have to be registered with the Registrar of Businesses, which is also under the auspices of the Companies Commission Malaysia. Both business entities are covered under the Registration of Business Act 1956. As unincorporated entities, partnerships and sole proprietorships have unlimited liability, which means the liability can be extended to the personal assets of the partners or the sole proprietor. The advantage of these business types is that there is no audit requirements meaning less paper work and lower administrative costs. As such, this is a good option for starting a business.

Joint Venture (JV)

JVs can either take the structure of an LLC or a partnership. The term JV itself does not denote a separate and distinct business entity. Therefore, the formalities described under LLC and partnerships in Malaysia also apply here. JVs between foreign and local companies are common in Malaysia. Foreign investors often chose a JV with a local partner if the specific sector is restricted for foreigners.

Branch Office

Mainland China and Hong Kong companies that want to expand their operations to Malaysia for the short-term often choose to set up a branch office. Branch offices are easier to maintain administratively than LLCs, and a greater capital base may be available (for regulated industries). In addition, the closure of a branch is easier than the liquidation of an LLC. Branch offices are 100% owned by the head office and are not separate legal entities, therefore, the parent company is liable for the branch's liability. The Companies Act 2016 requires filing of audit reports from the branch office as well as from the parent company annually.

Registration Process and Timeline

The registration process is similar to that of the LLC. First, the availability of the company name has to be verified by the CCM, through the submission of the Application and Reservation for Availability of Name. In addition, attachment of a copy of the certificate of incorporation or registration of the foreign company is required. The approval process usually takes approximately three working days.

Upon approval of the company name, the registration fee - in case the Branch office is based on the amount of the authorised share capital of the foreign company - will need to be submitted to the CCM, along with all registration documents, such as:

- The Application for Registration of Foreign Company requires the following information:
  - Company name, registration number and registration date from the country of origin;
  - Share capital including details of classes and number of shares in its place of origin, if any;
  - For a company limited without share capital: amount undertaken by members to contribute to the assets of the foreign company in its place of origin in the event of being wound up;
  - Particulars of shareholders and directors.
- A confirmation of the consent of appointment;
- A certified copy of the registration certificate of the foreign company from its place of origin;
- A certified copy of its charter/statute/memorandum and articles of association.

Additionally, a few other memoranda may have to be submitted. For further details, please refer to the official portal of the Companies Commission of Malaysia (www.ssm.com.my/Pages/Home.aspx).

Representative/Regional Office

These two business types are not allowed to undertake any commercial activities in Malaysia, but only to represent their head offices when undertaking designated functions. They are not legal entities and therefore are not required to be incorporated under the Companies Act 2016. Setting up a representative or regional office needs approval from the Malaysia Government.

Representative Office

Mainland China and Hong Kong companies that wish to establish a presence in Malaysia without conducting business activities can choose this business type. A representative office is usually established to collect information on investment opportunities (especially in the manufacturing and service industries), enhance bilateral trade relations, promote export of Malaysian goods and services, and carry out research and development activities. It is easy to administer and does not have tax liabilities; however, in order to set up the office, the proposed operational expenditures per year should be at least MYR 300,000 (around USD 72,000).

Regional Office

A regional office is different from a representative office in terms of the different activities it is approved to conduct. A regional office can serve as a coordination centre for the foreign company's affiliates, subsidiaries and agents in Southeast Asia and the Asia Pacific region.

II. *Overview on Other Business Laws and Regulations*

A. Legal and Administrative Framework on Competition Law[5,6]

The Malaysian Parliament has passed the Competition Commission Act 2010 and the Competition Act 2010, which came into force in 2011 and 2012 respectively. In addition, regulations prohibit anti-competitive behavior from existing in specific business sectors, notably the media, energy, telecommunications, and franchising sectors.

The new Competition Act regulates both Malaysian and foreign companies in case their actions have a competition restriction impact on the domestic market. The scopes of prohibition include:

1. Anti-competitive agreements: agreements which have the objectives or effects of significantly preventing, restricting or distorting competition in Malaysia; and
2. Abuse of dominant position: engaging in any conduct which amounts to an abuse of a dominant position in any market for goods or services in Malaysia.

The Malaysian Competition Commission (MyCC) executes the Competition Act. The MyCC is an authority established in 2011 pursuant to the Competition Commission Act. The laws outline general regulations and do not specify particular rules for Mainland China or Hong Kong businesses.

Anti-competitive Agreements

This law prohibits horizontal agreements between competitors as well as vertical agreements between different companies along the supply chain (e.g. retailer and distributor).

The following horizontal agreements between enterprises are prohibited:

- Fixing, directly or indirectly, a purchase or selling price or any other trading conditions;
- Sharing markets or sources of supply;
- Limiting or controlling i) production, ii) market outlets or market access, iii) technical or technological development, or iv) investment; and
- Performing an act of bid rigging.

The MyCC has indicated that anti-competitive agreements will not be considered as “significant” if:

- The combined market share of the parties does not exceed 20% in the relevant market; and
- The parties are not competitors and each of the parties individually has less than 25% share in any relevant market.

For vertical agreements, there is no prohibition on price fixing, which means that companies can, for instance, set minimum resale prices. However, the MyCC has indicated that it will take a strong stance against resale price maintenance that could lead to collusions. More information can be found in the Competition Act 2010 (www.mycc.gov.my/sites/default/files/CA2010.pdf).

Abuse of Dominant Position

The Competition Act also prohibits enterprises from abusing their dominant market position. A market position is considered dominant if one or more enterprises possess such significant power in a market to adjust prices, outputs or trading terms, without effective constraint from competitors or potential competitors. The MyCC states that generally a market share above 60% indicates market dominance. However, market share is not the only factor taken into account to assess the dominance of an enterprise. Under the Competition Act, an abuse of a dominant position may also include activities such as: directly or indirectly imposing an unfair purchase or selling price or other unfair trading conditions, or refusing to supply to a particular enterprise or group/category of enterprises. The entire list can be found in the Competition Act 2010 (www.mycc.gov.my/sites/default/files/CA2010.pdf).

B. Intellectual Property Protection Law on Trademarks[7,8]

A trademark is defined as a device, brand, heading, label, ticket, name, signature, word, letter, numeral or any combination thereof, which indicates that a certain good or service belongs to the owner of the trademark. Malaysia's overarching Intellectual Property (IP) regulation, including those related to trademark, is rated as average (ranked 24th out of 50). The law outlines general regulations and does not specify particular rules for Mainland China or Hong Kong companies.

Trademark protection is regulated by two layers of Malaysia's legislation as well as in the common law: the Trademark Act 1976 forms the primary legislative framework for the registration of a trademark. The Trade Marks Regulation 1997 is the subsidiary legislation thereunder, and the Trade Description Act 2011 provides for criminal enforcement against trademark infringement in the common law.

The administration of trademarks is overseen by the Intellectual Property Corporation of Malaysia (MyIPO). A Mainland China or Hong Kong company that wants to step into Malaysia can register its trademark at the MyIPO electronically. The registration process generally consists of seven steps:

1. Formality examination: submit the relevant documents to the MyIPO (myipo.gov.my/en/apply-for-trade-marks);
2. Search and examination: the examiner will check whether the trademark is in conflict with any existing trademarks and whether all conditions are fulfilled;
3. Objection: the applicant has to file a written response in case the trade mark submitted conflicts with an existing trademark in order to overcome an office action;
4. Hearing: if the applicant's written response is not accepted, the applicant can attend an oral hearing;
5. Acceptance and advertisement: if the trademark passes all examinations and meets all requirements, a Notice of Acceptance will be issued by the Trade Marks Registry to the applicant. In addition, the application will be issued in the Government Gazette;
6. Opposition: within two months of the advertisement, any person can file a Notice of Opposition. If so, the applicant of the trademark and the opposition party will engage in opposition proceedings, after which the examiner decides whether the opposition was successful or not. If the opposition is successful, the trademark will not be registered. However, the applicant can further appeal against the examiner's decision; and
7. Registration: if the trademark passed all the examinations, including any potential opposition, it will be registered and a Certificate of Registration will be issued.

The whole process usually takes approximately 12 - 18 months if there is no objection or opposition raised during the process. The costs range from USD 600 - 1,000 for a normal case. Trademarks in Malaysia are valid for 10 years and can be renewed. A trademark registered in Malaysia is only valid in Malaysia.

C. Import/Export Regulations and Licenses[9,10,11]

Malaysia has progressively liberalised its tariff regime and generally encourages import and export businesses. Most goods do not require an import or export license, however, in order to safeguard local manufacturers and national security, certain goods are either regulated through licenses or prohibited from trading.

The Custom Prohibition Act 1967 regulates amongst others the import of the following goods through imposing high tariffs or import license provisions by the corresponding authorities:

- Food & agricultural products;
- Motor vehicles;
- Electric domestic equipment (that uses more than 50 volt or 120 volt DC);
- Pharmaceutical products; and
- Steel products.

The complete list can be accessed at the official portal of the Royal Malaysian Customs Department (www.customs.gov.my/en/tp/pages/tp_ie.aspx).

Malaysia also strictly restricts the export of two goods (turtle eggs and rattan from Peninsula of Malaysia) and requires a permit to export certain other goods, such as sugar and rice.

If engaging in the import and export businesses, traders have to provide the following documents to the customs officials:

- Customs Export or Import Declaration;
- Commercial Invoice;
- Bill of Lading;
- Packing List; and
- Certificate of Origin.

Malaysia uses the Harmonised System (HS) for the classification of goods; all imported or exported goods must be categorised based on the Malaysian Customs tariff numbers.

D. Jurisdiction System on Business Related Matters[12]

The Malaysian legal system is built upon the British legal system and the principles of common law. There are generally two types of trials: the civil system and the criminal system. The former is about private law suits, whereas the latter deals with cases of someone being charged with a crime and brought to a trial in court to determine his innocence or guilt. The Malaysian court system comprises different levels:

- The Magistrates Court and Sessions Court are part of the first instance. Both have jurisdiction over civil and criminal matters. The Magistrates Court hears civil matters where the claim does not exceed MYR 100,000 (around USD 24,000), whereas the Sessions Court has jurisdiction to hear suits with the claim not exceeding MYR 1 million (around USD 240,000).
- Next, there are two High Courts - the High Court in Malaya and the High Court in Sabah and Sarawak. Both can act as appellate courts as well as first instance courts if the amount claimed exceeds MYR 1 million (around USD 240,000). In addition to the civil, criminal, appellate, and special powers divisions, the High Court of Malaya in Kuala Lumpur also has a commercial division.
- The Court of Appeal hears all civil appeals against decisions of the High Courts (except where it is against judgement or orders made by consent).
- The highest court in Malaysia is the Federal Court which hears appeals of civil and criminal decisions from the Court of Appeal.

Besides the ordinary courts, there are also specialised tribunals in Malaysia, for example, the Labour Court, the Tribunal for Consumer Claims, and the Industrial Court, which provide an alternative and expedited option to settle disputes between different parties.

Source:

[1] *Doing Business in Malaysia, PwC, 2018*

[2] *Doing business in Malaysia – Practical Law, Thomson Reuters, 2019*

[3] *Type of Business Entities in Malaysia, KL Management Services*

[4] *Sole Proprietor vs. LLP vs. General Partnerships vs. Company, 3E Accounting*

[5] *Antitrust and Competition Laws in Malaysia, Baker McKenzie, 2016*

[6] *Laws of Malaysia – Competition Act 2010 (Act 712), Malaysia Competition Commission*

[7] *U.S. Chamber International IP Index, GIPC, 2019*

[8] *Malaysia: Trade Marks 2019, International Comparative Legal Guides, 2019*

[9] *Import/Export, Royal Malaysian Customs Department*

[10] *Import and Export Procedures in Malaysia – Best Practices, ASEAN Briefing, 2017*

[11] *Malaysia Regulations, and Standards, International Trade Administration through export.gov*

[12] *Malaysia - Dispute Resolution Guide 2016, Conventus Law*

3. Taxation, Transfer Pricing, Banking and Currency Control

Executive Summary

The main forms of taxation in Malaysia are personal and corporate income tax, sales and service tax among other specific business taxes. The former goods and service tax was repealed in 2018 and replaced with a new sales tax and service tax framework.

Foreign Direct Investment (FDI) is generally welcomed in Malaysia. Most sectors are open for investment, but certain sectors have limitations on equity ownership. Additionally, increasingly relaxed foreign ownership rules have led to the presence of many foreign-owned banks.

While the Malaysian Ringgit (MYR) is a controlled currency, the use and exchange of local and foreign currency in Malaysia is generally allowed, but with a few restrictions.

3. Taxation, Transfer Pricing, Banking and Currency Control

I. Taxation Practice

The principal tax laws governing the corporate tax provisions in Malaysia include the Income Tax Law, Sales Tax Act, and Service Tax Act. In general, all companies in Malaysia, regardless of their tax residence, are subject to corporate income tax (CIT). There is no value added tax (VAT) in Malaysia; instead sales tax and service tax are levied on certain goods and services sold and rendered in Malaysia.

Companies in Malaysia are generally taxed on income derived from activities in Malaysia only. However, businesses in the banking, insurance, air transport, or shipping industries will be taxed on worldwide income.

A. Corporate Income Tax (CIT)[1]

Tax Calculation

The year of assessment (YA) is the calendar year. The basis period for a company is the fiscal year that ends in a particular YA. CIT is levied on taxable income. This includes all gains or profits from a trade or business, dividends, interest, royalties, and other earnings.

Applicable Tax Rate

The standard tax rate for resident companies is 24%.

Those with paid-up capital of MYR 2.5 million or less, and not part of a group of companies where a related company has a paid-up capital of more than MYR 2.5 million, are instead taxed at the following rates:

Taxable Income	Tax Rate
The first MYR 500,000	17%
Amounts in excess of MYR 500,000	24%

Non-resident companies will be taxed according to the following rates:

Type of Income	Tax Rate
Business income	24%
Royalties	10%
Rental of moveable properties	10%
Technical or management service fees	10% *(Note 1)*
Interest	15% *(Note 2)*
Dividends	Exempt
Other income	10%

Note 1: Only services rendered in Malaysia are liable for taxation.

Note 2: Paid to a non-resident by a bank or a finance company in Malaysia

Deductions

In general, expenses are tax deductible if they are wholly and exclusively incurred in the production of income. However, some expenses are specifically non-deductible, such as:

- Domestic, private or capital expenditures;
- Lease rentals for cars exceeding MYR 50,000 per car, or MYR 100,000 if the vehicle cost MYR 150,000 or less and has not been previously used;
- Employer's contributions to unapproved schemes, or approved schemes in excess of 19% of the employee's remuneration;
- Non-approved donations; and
- Payments made to non-residents where the withholding tax is not paid.

Consolidated Filing

There is a group relief provision in Malaysia. A company may surrender a maximum of 70% of its adjusted loss for a YA to one or more related companies. This provision is limited to a company's first three YAs after the completion of its first full basis period. There are certain conditions that must be met by both the surrendering company and the related claimant company, including but not limited to:

- Be a resident and incorporated in Malaysia;
- Have paid-up capital of MYR 2.5 million or more at the beginning of the basis period;
- Use the same accounting period; and
- Be "related companies" as defined in the law, and remain "related" throughout the relevant basis period as well as the 12 previous months.

Companies that enjoy certain incentives such as pioneer status (PS), investment tax allowance (ITA), reinvestment allowance etc. are not eligible for group relief. Companies which have unutilised ITA or unabsorbed pioneer losses upon the expiry of their PS or ITA incentives, are also not eligible for group relief.

Taxable Losses

In Malaysia, any business losses can be set off against income from all sources in the current year. Unutilised losses in a YA can only be carried forward for a maximum period of seven YAs to be used against future income. If a dormant company has any substantial change of shareholders, the unutilised losses will be written off. Carryback of losses is not permitted.

Tax Return and Payment

Tax returns must be filed within seven months of the end of the basis period. Advance CIT can generally be paid in 12 monthly installments. In general, tax of a non-resident company is collected through withholding tax, which is payable within one month of payment.

Double Tax Agreement (DTA) with Hong Kong[2]

Malaysia has entered into DTAs with 74 countries as of June 2019. The DTA between Malaysia and Hong Kong has been in effect since December 2012.

DTAs aim to eliminate double taxation. The table below illustrates the tax rates applied on various sources of income stipulated in the DTA between Malaysia and Hong Kong:

Category	Rate
Interest	10% or 0% *(Note)*
Royalties	8%
Technical Fees	5%

Note: Interest derived from certain government bodies are exempt from taxation.

B. Value Added Tax (VAT) and Sales and Service Tax (SST)[1, 3]

Sales Tax

Effective Date and Scope of Taxation

The Sales Tax is one of the taxes implemented on 1 September 2018 to replace the previous Goods and Service Tax (GST). Sales Tax is levied on all imported or manufactured goods, unless specifically exempt.

Special treatment is given to transactions involving Designated Areas (Labuan, Langkawi and Tioman) and Special Areas (free zones, licensed warehouses, licensed manufacturing warehouses and the Joint Development Area).

Applicable Tax Rate

Class of Goods	Rate
Fruit juices, certain foodstuffs, building materials, personal computers, telephones, and watches	5%
All other goods (except petroleum, and goods specifically exempted)	10%

Goods Exempted

Certain goods are specifically exempted from Sales Tax, including:

- All goods manufactured for export;
- Live animals, certain food items including meat, seafood, milk, eggs, vegetables, fruits, and bread;
- Bicycles, and bicycle parts and accessories;
- Natural minerals, and chemicals; and
- Pharmaceutical products.

For a complete list of goods exempted from Sales Tax, please refer to the official Sales & Service Tax website by the Royal Malaysian Customs Department (mysst.customs.gov.my).

Service Tax

Effective Date and Scope of Taxation

The Service Tax is the other tax implemented on 1 September 2018 to replace GST. Service Tax is charged on any taxable services provided in Malaysia, including sale of food and drink, telecommunications services, certain professional services, and domestic air transport, among other services. Imported taxable services acquired by businesses in Malaysia from providers outside the country will also be subject to Service Tax.

Service Tax should be paid when payment for the taxable services is received. If payment is not received within 12 months after issuing the invoice, Service Tax will be due on the day immediately after the 12 month period.

Like the Sales Tax, special treatment will be given to transactions involving Designated Areas (Labuan, Langkawi and Tioman) and Special Areas (free zones, licensed warehouses, licensed manufacturing warehouses and Joint Development Area)

For a complete list of taxable services, please refer to the official Sales & Service Tax website by the Royal Malaysian Customs Department (mysst.customs.gov.my).

Applicable Tax Rate

The standard Service Tax rate is 6%.

The exception is the provision of charge or credit card services, for which the Service Tax is MYR 25 per year on each card.

Tax Incentives

Malaysia offers a wide range of tax incentives for domestic and foreign companies wishing to invest. The two main incentives are the Pioneer Status (PS) and Investment Tax Allowance (ITA) incentives. The PS provides tax exemptions for companies participating in promoted activities. The ITA is granted based on the capital expenditure incurred for promoted activities. Both incentives are generally given for a period of five or 10 years, and are mutually exclusive. For more information on tax incentives, please refer to section 9 of this report.

C. Transfer Pricing Provisions

Malaysia's transfer pricing (TP) provisions adopts the arm's length principle of the Organisation for Economic Co-operation and Development's (OECD) TP Guidelines. There is no de minimis rule in Malaysia's TP provisions. Taxpayers that do not meet the following thresholds, may be allowed to prepare limited documentation:

- Companies with gross income of MYR 25 million or more, and related party transactions totaling MYR 15 million or more; and
- The threshold for financial assistance is MYR 50 million.

Malaysia has adopted the three-tiered documentation outlined in the OECD's Action Plan on Base Erosion and Profit Shifting. The three levels of documents required to be kept are the master file, local file, and country-by-country report. An ultimate parent company, or domestic parent of a multinational company, must file a country-by-country report for the entire financial year within 12 months of the end of the company's basis period.

D. Statutory Auditing Requirements and Accounting Standards[1]

Audit Requirements

A foreign company desiring to establish a place of business or to carry on business within Malaysia is required by the Companies Act 2016 to register with the Companies Commission of Malaysia (CCM). All registered companies are required to keep accounting records that can sufficiently explain the transactions and financial position of the company, and enable proper audits of the company. These records must be kept at the company's registered office or other places that the directors deem appropriate. The records must be retained for seven years.

Public companies must appoint an auditor before the first annual general meeting of the company. Private companies must appoint an auditor at least 30 days before the end of the first period when they need to submit financial statements. Private companies can be exempted from appointing an auditor by the CCM.

Financial Statements

The directors must present a set of financial statements in accordance with the approved accounting standards issued or adopted by the Malaysian Accounting Standards Board (MASB), and the requirements of the Companies Act 2016. The financial statements should be presented in MYR. Publicly listed companies are additionally required to provide quarterly reports within two months after the end of each quarter, and audited financial statements within four months of the end of the basis period to their shareholders. These quarterly reports and financial statements should include an income statement, balance sheet, cash flow statement, and explanatory notes.

Financial Reporting Framework

The MASB is the sole authority in Malaysia for issuing accounting standards and other financial reporting requirements. All financial statements prepared have to comply with approved accounting standards issued by the MASB.

II. Banking and Currency Control

A. Bank Account Setup Requirements and Restrictions for Foreign Direct Investment (FDI)[4]

Bank Account Setup Requirements

In general, a resident is allowed to open foreign currency accounts with licensed onshore banks, or non-resident financial institutions for any purpose. Opening bank accounts for foreigners is usually regarded as convenient and easy in Malaysia. Documents required will differ according to each bank, but general documents necessary include:

- Residency permit, visa documents, or other proof of right to be in Malaysia;
- Employment details to prove business activities in Malaysia;
- Minimum deposit amounts, which differ by bank and by account type; and
- Certain other personal information such as passport or fingerprints.

FDI Restrictions

In Malaysia, there are certain limits on the amount of equity a foreign business can own in certain sectors. For example, foreign companies can only own 70% of a business in the investment bank, Islamic bank, insurance, and telecommunications industries. Foreign companies are also only allowed to own 49% of oil and gas businesses. For more information on FDI restrictions, please refer to section 8.

B. Restrictions on Inbound and Outbound Funding in Foreign Currency and Local Currency[5]

Local Currency

Foreigners are generally allowed to use MYR in Malaysia without many restrictions. For example, both resident and non-resident individuals may bring in MYR up to the equivalent of USD 10,000 without needing approval. However, amounts above this threshold will require approval from the Central Bank of Malaysia. Investments may also be made freely using MYR within Malaysia, buying or selling ringgit against foreign currency with licensed onshore banks.

However, taking MYR out of Malaysia will be subject to more restrictions. For example, foreigners may remit their profits, dividends, or other income from businesses in Malaysia. However, the remittance may only be done in foreign currency, and not in MYR.

Foreign Currency

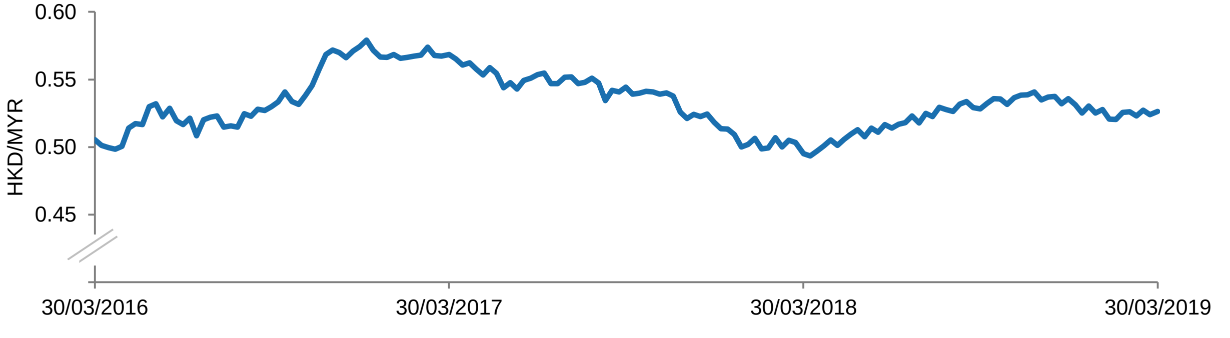
The use of foreign currency is also generally allowed in Malaysia. Foreigners are generally allowed to bring into or take out of Malaysia any amount of foreign currency. Foreign currency accounts can also be opened with licensed onshore banks, and funds remitted abroad in foreign currency. However, most activities involving foreign currencies such as obtaining foreign currency financing, buying or selling foreign currency, or buying or selling financial instruments in foreign currencies, will need to be performed with licensed onshore banks, and not overseas banks.

For a detailed list of restrictions on local and foreign currency in Malaysia, please refer to the Foreign Exchange Administration rules issued by the Central Bank of Malaysia (www.bnm.gov.my/index.php?lang=en&ch=fea&pg=en_fea_overview&ac=100)

C. Policy on Foreign Exchange Rate and Three-year Historic Trend[6]

Malaysia's official currency has been the Malaysian Ringgit (MYR) since 1975. The currency's value to the US dollar fluctuated from 3.80 to 4.40 before the Central Bank of Malaysia pegged the Ringgit to the US Dollar in September 1998, which was maintained until 2005. Today, the MYR remains a controlled currency by the Central Bank of Malaysia.

Three-year Exchange Rate Trend for HKD to MYR



Date	HKD/MYR Rate
30/03/2016	0.5018
30/03/2017	0.5695
30/03/2018	0.4923
30/03/2019	0.5200

D. List of Banks from Foreign Investments[7]

As of 1 June 2019, there were 26 fully licensed commercial banks in Malaysia. Of those 26, the 18 shown in the below table are foreign-owned.

#	Bank Name
1	BNP Paribas Malaysia Berhad
2	Bangkok Bank Berhad
3	Bank of America Malaysia Berhad
4	Bank of China (Malaysia) Berhad
5	China Construction Bank (Malaysia) Berhad
6	Citibank Berhad
7	Deutsche Bank (Malaysia) Berhad
8	HSBC Bank Malaysia Berhad
9	India International Bank (Malaysia) Berhad
10	Industrial and Commercial Bank of China (Malaysia) Berhad
11	J.P. Morgan Chase Bank Berhad
12	MUFG Bank (Malaysia) Berhad
13	Mizuho Bank (Malaysia) Berhad
14	OCBC Bank (Malaysia) Berhad
15	Standard Chartered Bank Malaysia Berhad
16	Sumitomo Mitsui Banking Corporation Malaysia Berhad
17	The Bank of Nova Scotia Berhad
18	United Overseas Bank (Malaysia) Berhad

Source:

[1] *2018/2019 Malaysian Tax Booklet, PricewaterhouseCoopers*

[2] *Comprehensive Double Taxation Agreement – Malaysia, Inland Revenue Department*

[3] *Malaysia Sales & Service Tax official website, Royal Malaysian Customs Department*

[4] *How to open a bank account in Malaysia, TransferWise*

[5] *Foreign Exchange Administration, Bank Negara Malaysia*

[6] *Bloomberg*

[7] *List of Licensed Financial Institutions, Bank Negara Malaysia*

4. Labour, Compensation Rule and Labour Supply Situation

Executive Summary

Malaysia's labour law system is mainly based on common law. However, employers and employees are given a great degree of flexibility to negotiate terms on labour contract.

Specific low income employees are protected with maximum working hours, minimum wages and welfare by the Employment Act.

Foreign employees are generally welcomed to work in Malaysia as long as the sponsoring company satisfies the minimum paid-up capital requirements. In addition, expatriate workers are required to obtain a work permit for legal employment in Malaysia.

4. Labour, Compensation Rule and Labour Supply Situation

I. *Overview on Laws and Regulations over Local Labour Employment*

A. Contracts and Protection Towards Employees[1,2,3,4,5,6]

Based on the common law legal system, the employment laws in Malaysia are mainly based on the following sources:

- Statues: the Parliament makes laws or the Act of Parliament, examples include the Employment Act, Industrial Relations Act, Trade Unions Act, Employees Provident Fund Act etc.;
- Subsidiary legislation: ministerial orders or regulations made under relevant statutes, examples include Employment (Part-time Employees) Regulations and Minimum Wages Order etc.; and
- Case law from other jurisdictions, in particular the commonwealth jurisdictions.

Minimum Legal Working Age

The minimum legal working age for full-time employment is 15 years old. However, under certain conditions, younger people can be employed:

- Children: people under the age of 15 can only engage in certain non-hazardous light work, and are subject to working hours restrictions according to the Children and Young Persons (Employment) Act.
- Young person: people aged between 15 and 18, can only be employed in non-hazardous work and are also subject to working hour restrictions.

The Employment Act (EA)

Among others, the EA is the major law governing the minimum employment terms and conditions in peninsular Malaysia. The following criteria describe the condition that employees must meet to fall under the EA scope:

- The employee earns a monthly salary of MYR 2,000 or below; or
- The employee earns a monthly salary exceeding MYR 2,000 and is:
  - Engaged in manual labour or supervises manual labourers; or
  - Operating or maintaining any mechanically propelled vehicle; or
  - Working in any vessel registered in Malaysia; or
  - A domestic servant.

The employees who fall under the scope of the EA are referred as “EA employee” hereafter. Their employment satisfy the minimum terms and conditions set in the EA. The employment relationship of employees who are not covered by the EA (“Non-EA employee” hereafter) is bound by the employment contract, as well as subject to other statues and case law applicable.

The states of Sabah and Sarawak have equivalent legislation as the EA, although some of the provisions may differ.

Labour Contract

Under the EA, labour contracts can be in written or oral form. However, EA employees who worked for more than one month must enter into a written contract with their employer.

There are no restrictions on the maximum employment duration by law. Thus fixed term contracts are allowed in Malaysia.

Part-time Employment

Part-time employees are defined as employees working 30% to 70% of a full-time employee's week. Their employment is regulated under the Employment (Part-time Employees) Regulations 2010.

Part-time employees enjoy similar statutory rights and benefits as full-time employees (e.g. overtime pay, social insurance and pension etc.). However, their rights related to sick leave and public holiday defer.

Probation

There is no legal requirement around the duration of the probation period. It usually ranges from one to six months, depending on the industries but can be extended. At the end of the probationary period, a new contract needs to be negotiated to confirm the permanent role of the employee. Termination of employment during probation period must be subject to the same 'just cause and excuse' as normal employment.

Payment of Wages

Every employer shall pay each of his employees not later than the seventh day after the last day of any wage period. By law, an employer is not required to pay his employees in MYR.

Termination of Employment

The EA requires that there shall be a termination clause for both employee and employer in the labour contract. The Industrial Relation Act 1967 stipulates that an employee may only be terminated for just cause or excuse. "Just cause or excuse" is not defined explicitly by the legislation. In general, misconduct, poor performance, redundancy or closure of business are accepted as "just cause" for termination.

Notice Period

A notice period shall be given by either the employer or the employee to terminate the labour contract, except for the case where employees are terminated for misconduct or poor performance. The notice period depends on the employee's tenure of service as follows:

Tenure of Service	Minimum Notice Period
Less than two years	4 weeks
Between two and five years	6 weeks
More than five years	8 weeks

Severance Payment

Severance payments are paid only when the dismissal is due to retrenchments or transfer of business assets. Only EA employees are eligible for statutory severance payments (which are calculated on a pro-rata basis in an incomplete year). The payment varies according to the employees' tenure of service.

Tenure of Service	Severance Payment
Less than two years	10 days/year of service
Between two and five years	15 days/year of service
More than five years	20 days/year of service

Other Termination Cases

Non-EA employee's termination benefits are subject to contractual terms.

By law, collective dismissal does not require regulatory approval. However, a 30-day notice prior to the employee's final employment date must be submitted to the nearest State Labour Department.

B. Minimum Wage Level[3,8]

According to the latest version of the Minimum Wages Order (published in November 2018), the nationwide (including peninsular Malaysia, Sabah and Serawak) minimum wages are: MYR 1,100 per month (around USD 267) or MYR 5.29 per hour (around USD 1.29).

C. Maximum Working Hours and Days[1,2,3]

Only EA employees are subject to maximum working hours. On a labour contract, the number of working hours cannot exceed eight hours per day or 48 hours per week. EA employee shall be entitled to at least 30 minute break for every five consecutive working hour and a paid rest day every week.

In any case, the maximum number of working hours is 12 hours per day or 104 hours per month.

Overtime

Only EA employees are entitled to overtime pay for work carried out in excess of the normal hours of work. The payment for overtime is described in the table below.

Overtime Work	Payment
Normal working days	1.5x hourly pay
Rest days	2x hourly pay
Public holidays	3x hourly pay

Non-EA employee's right to overtime pay is generally written in their employment contract.

D. Mandatory Welfare[3,9,10,11,12]

The Employees Provident Fund Act (EPF Act)

Both employers and employees are required to make monthly contributions to the EPF for retirement benefits. Contributions are mandatory for employees who are Malaysian citizens or permanent residents. Foreign nationals working in Malaysia are not required to contribute to EPF but they may opt to do so.

Certain types of income are excluded from the EPF's calculation: overtime pay, travelling allowance, other retirement benefits offered by employer, gratuity, service charges, etc.

The following tables described the statutory rates of contributions.

		Mandatory Contribution % (by Malaysian citizens and permanent residents)		Voluntary Contribution % (by foreign employees)	
Employee Aged	**Monthly Income**	**Employer**	**Employee**	**Employer**	**Employee**
Below 60	< MYR 5,000	13.0%	11.0%	MYR 5/worker	11.0%
	> MYR 5,000	12.0%	11.0%	MYR 5/worker	11.0%
Between 60 to 70	< MYR 5,000	6.5%	5.5%	MYR 5/worker	5.5%
	> MYR 5,000	6.0%	5.5%	MYR 5/worker	5.5%

The Social Security Organisation (SOCSO)

In Malaysia, the SOCSO administers the following three types of compulsory insurance schemes:

- Employment Injury Insurance Scheme (EIIS): covers Malaysian citizens, permanent residents, and foreign employees (excluding domestic workers). It protects against accident or occupational disease arising out of or in the course of one's employment.
- Invalidity Pension Scheme (IPS): covers only Malaysian citizens or permanent residents. It protects employees who suffer from invalidity or death due to any cause not related to employment.
- Employment Insurance System (EIS): covers only Malaysian citizens or permanent residents (except for public servants). It provides financial assistance, job training programme and job seeking assistance to employees who have lost their jobs.

Contribution Rates

Monthly contribution from both employer and employee must be made for each scheme. The contribution is based on the employee's monthly income, including salary, overtime pay, allowances, service charge, paid leave and commission; excluding annual bonus, pension contribution and dismissal benefits.

	Contribution % on Monthly Income (Max. Contribution Cap)	
For Foreign Employees	**Employer**	**Employee**
EIIS	1.25% (MYR 49.4/month)	N/A

For Malaysian Citizens or Permanent Residents		Contribution % on Monthly Income (Max. Contribution Cap) Employer	Employee
Under EIIS and IPS	First category contribution – covers both EIIS and IPS (For employees <60 years old) *(Note 1)*	1.75% (MYR 69.05/month)	0.5% (MYR 19.75/month)
	Second Category – covers EIIS only (For employees >60 years old)	1.25% (MYR 49.4/month)	N/A
EIS (For all employees aged 18 to 60) *(Note 2)*		0.2% (MYR 8/month)	0.2% (MYR 8/month)

Note 1: Except for employees who have reached the age of 55 and have no prior contributions, they will fall into the second category contribution.
Note 2: Except for employees who have reached the age of 57 and have no prior contributions, they are exempted from contribution.

Other Benefits and Rights

The EA also stipulates other statutory rights for EA employees, including sick leave, paid leaves, public holidays, and maternity rights.

Sick Leave

Full-time and part-time EA employees are entitled to minimum paid sick leave.

Tenure of Service	Paid Sick Leave Entitlement	
	Full-time	Part-time
Less than two years	14 days/year	10 days/year
Between two and five years	18 days/year	13 days/year
More than five years	22 days/year	15 days/year

If hospitalisation is required, full-time EA employees are entitled to a maximum of 60 days of paid sick leave per year. Non-EA employees' entitlement is subject to contract.

Holiday Entitlement

Full-time and part-time EA employees are entitled to minimum paid annual leaves.

Tenure of Service	Annual Leave Entitlement	
	Full-time	Part-time
Less than two years	8 days	6 days
Between two and five years	12 days	8 days
More than five years	16 days	11 days

Public Holidays

Full-time and part-time EA employees are entitled to at least the following paid public holidays.

Employment	Public Holiday Entitlement
Full-time	Entitled to at least 11 public holidays including: • National Day; • Birthday of the Yang di-Pertuan Agung; • Birthday of the ruler of the state/federal territory of where the employee work; • Workers' Day; and • Malaysia Day.
Part-time	Entitled to at least seven public holidays including: • National Day; • Birthday of the Yang di-Pertuan Agung; • Birthday of the ruler of the state/federal territory of where the employee works; • Workers' Day.

Non-EA employees' entitlement is subject to contract.

Maternity Rights

Regardless of being an EA or non-EA employees, all employees are entitled to 60 consecutive days of paid maternity leaves for up to five children, given that she is in employment relationship with the employer within four months before her confinement and has been working for the employer for at least 90 days within nine months before her confinement. They are also protected from termination of labour contract during her confinement period. *(Note)*

Note: Confinement is defined as parturition resulting after at least 22 weeks of pregnancy, or the issue of a child or children, whether alive or dead under EA Act.

Others

Besides the abovementioned statutory rights, an employer shall also comply with the Occupational Safety and Health Act 1994, to provide and maintain a safe workplace for the safety and health of all employees.

E. Labour Law Governing Authorities, Enforcements, and Restrictions[1,2,3]

Governing Authorities

The Ministry of Human Resources is the government body responsible for labour, skills development, occupational safety and health, trade unions, industrial relations, industrial court, labour market information and analysis, as well as social security. It is also responsible for the administration of key labour laws in Malaysia.

Labour Law Enforcements

In Malaysia, specific courts have different scopes of employment-related matters:

- All civil courts have the jurisdiction to hear employment related claims;
- The Industrial Court has the jurisdiction to hear cases of unjust dismissal, labour disputes and interpretation, amendment and dispute of collective agreements;
- The Director General of Labour has the power to investigate complaints of discrimination related to foreign employee, sexual harassment as well as a breach of employment terms (applicable to EA employees only);
- The Employees Provident Fund Board and the Social Security Organisation are empowered to examine, make inquiries and prosecute for offences under the EPF Act and the SOCSO Act respectively;
- The Employment Services Officers under the EIS Act have powers to inspect, examine, investigate and enforce the provisions of the EIS Act; and
- The Personal Data Protection Commissioner has the authority to inspect, make recommendations pursuant to inspections, investigate complaints and issue enforcement notices pursuant to investigations.

Employment Restrictions

Female Employment

In Malaysia, female employees shall not:

- Engage in any industrial or agricultural activity at night (between 10 pm and 5 am) or commence work without a rest period of 11 consecutive hours free from such work. These rules are subject to exemption granted by the Director General of Labour; and
- Engage in any underground work.

Foreign Employment

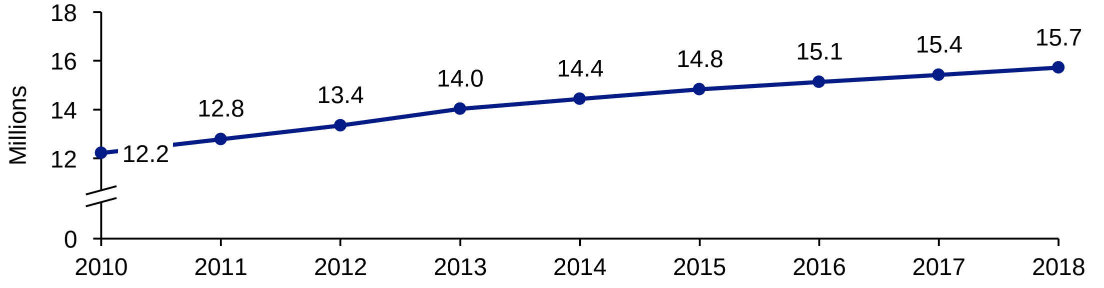
In order to hire a foreign employee, the companies must comply with the minimum paid-up share capital requirements. The requirements vary according to the type of company:

- 100% Malaysian owned company: MYR 250,000;
- Malaysian and foreign owned company: MYR 350,000;
- 100% foreign owned company: MYR 500,000;
- Company undertaking distributive trade and foreign-owned restaurant: MYR 1 million.

II. *Local Labour Supply Market Condition*

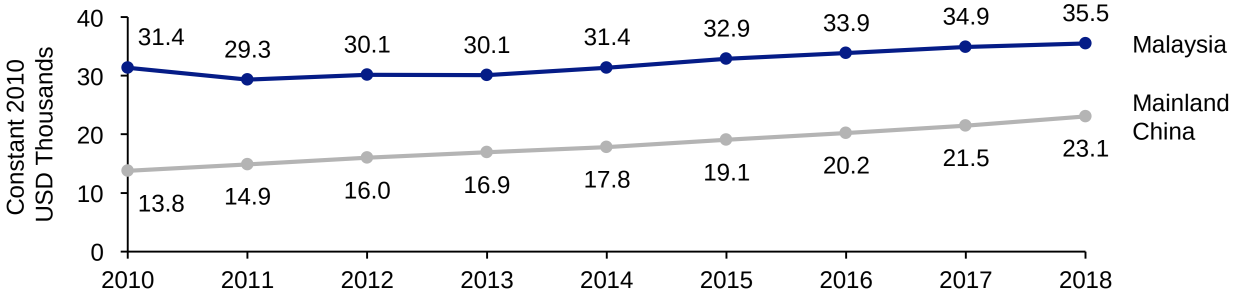
A. Supply Situation for Total Labour Force[13,14,15]

Malaysia's Total Labour Force (2010 – 2018)



The estimated total labour force was around 15.7 million in 2018. As of 2017, around 63% of the employed population worked in service industry, followed by 26% in the industrial and 11% in agriculture sectors.

Malaysia's Industry Labour Productivity (value added per worker) *(Note)* (2010 – 2018)

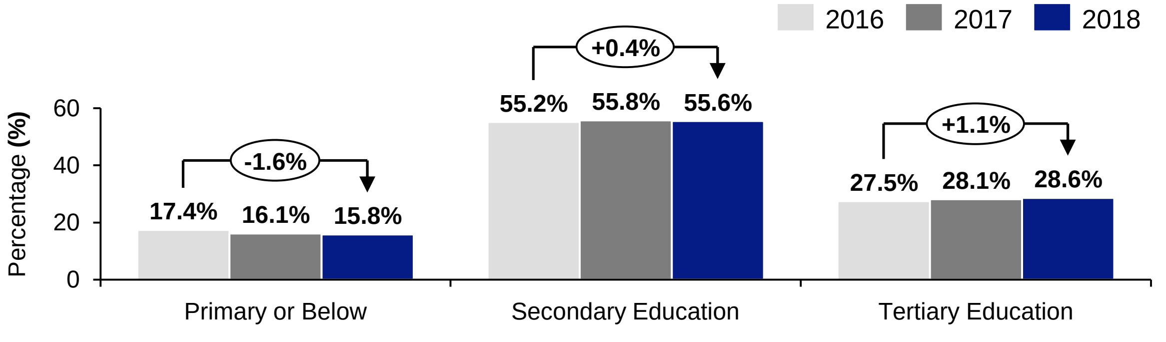


Even though Mainland China's productivity grew at a higher rate (around 6.7%) than Malaysia's (around 1.5%) between 2010-2018, Malaysia's industry value added per worker was around 54% higher than Mainland China's in 2018. Malaysia's productivity is the third highest among the ASEAN countries (i.e only lower than Brunei and Singapore).

Note: Industry labour productivity measures the value added per worker in manufacturing, construction, mining and quarrying and public utility sectors.

B. Supply of Employees with Higher Education[16]

Malaysia's Estimated Employed Population % by Education Attainment (2016 – 2018)



The employed labour force in Malaysia with at least tertiary education was around 4.2 million in 2018, accounting for around 29% of the employed population.

C. Government Support on Employee Training[1,2,3]

According to the Pembangunan Sumber Manusia Berhad Act (PSMB Act), the Human Resources Development Fund (HRDF) was established to fund the development of a competent workforce to contribute to Malaysia's vision of becoming a high income economy.

Human Resources Development Fund (HRDF)

All employers with at least 10 Malaysian employees must contribute to the HRDF at a rate of 1% of each employee's monthly wage. This only applies to companies in certain industries (e.g. electronics, textile, apparel and footwear， etc.). Please refer to Appendix 1 for the full list of sectors.

Employers who contribute to the HRDF and are registered with the Pembangunan Sumber Manusia Berhad (PSMB), are eligible to apply for training grants. These grants can subsidise training costs of certain certified vocational trainings attended by their employees.

The following are some examples of vocational training schemes eligible for HRDF subsidies:

Training scheme	Financial Assistance under HRDF
Future Workers Training (FWT): trains future workers with the required skills and competencies before entering employment	• MYR 1,000/day/group to pay internal/external trainers • MYR 25/hour/trainee to pay the internal/external trainers if there are less than five trainees • MYR 1,000/month/trainee for trainee's monthly allowance • Other claimable cost e.g. meal allowance, daily allowance etc.
Industrial Training Scheme (ITS): targets trainees undergoing practical trainings at the employer's premise before graduating	• Monthly allowance: a maximum of MYR 500/month/trainee • Employers are allowed one set of personal protective equipment per trainee • Financial assistance for insurance coverage (if any)
Computer Based Training (CBT): enables employers to purchase/develop training software to upgrade the knowledge and skills of their workforce	• 100% approval (subject to the balance in employers' levy accounts)

For more information on eligible training schemes, please visit the Pembangunan Sumber Manusia Berhad homepage (www.hrdf.com.my/employer/hrdf-schemes/).

D. Labour Unionisation and Related Government Regulations[3,17]

General unions covering multiple industries are not permitted in Malaysia. However, trade unions representing a specific industry do exist and are permissible. The Industrial Relations Act prohibits any person from interfering with or restraining an employee from forming, assisting in the formation of or joining a trade union. Nevertheless, it is not mandatory for workers to join a union.

Trade Union Recognition

All trade unions are required to be registered with the Director-General of Trade unions and must comply with the requirements set out in the Trade Unions Act 1959, including the rules for the conduct of union business, the use of union funds, and the election of officers, etc. The Minister of Human Resources reserves the final authority to refuse or accord recognition of the trade union.

Collective Bargaining

Only registered trade unions with the Director-General of Trade unions and recognised by the employer may enter into collective bargaining with the employer.

Strike/Lockout

Industrial actions such as strikes and lockouts are strictly regulated by the Trade Union Act and limited to members of a registered trade union. A strike can be called out legally if 1) at least two-third of the union member vote in favour of the strike; 2) at least seven days lapsed after the submission of secret ballot result; and 3) the proposed strike or lockout complies with the rules of the trade union and other relevant laws.

E. Work Permits and Visa[18,19,20,21]

To legally stay and work in Malaysia, expatriate workers must obtain a valid work visa. It is also the visa used to enter the country. Malaysia differentiates between "foreign workers" who are workers from certain Southeast Asian and Eastern European countries with lower income, and "expatriate workers" who are skilled workers with higher income (at least MYR 3,000 per month). This section only provides information on work visa for "expatriate workers". For information of "foreign workers', please refer to the Official Portal of Immigration Department of Malaysia (www.imi.gov.my).

Employment Pass (EP)

The most common work visa obtained by expatriate workers is EP, which is a multiple entry visa. The approvals of EP for expatriate posts are handled by different authorised government bodies or agencies depending on the type of industries in which the company is engaged in. For example, the Malaysian Investment Development Authority handles EP approvals for foreign employees in the manufacturing industry and its related services or in research and development.

Categories of EP

EP are categorised into three categories with different minimum salary requirement and employment tenure limits.

Category	Minimum Monthly Salary	Maximum Employment Tenure	Allowed Dependents
Category 1	MYR 10,000 *(Note)*	5 years or less	✔
Category 2	MYR 5,000 – 9,999	2 years or less	✔
Category 3	MYR 3,000 – 4,999	Less than 12 months	✘

Key Points to Note in Application

- Application processing time: around 2 to 3 months;
- Online application by the company and a guarantor is needed when applying for an EP; and
- The employer shall prove that the skill, qualification and experience required for the expatriate position cannot be fulfilled by Malaysian employees.

Note: If a foreign employee is paid MYR 8,000 or above per month, its EP approval can be granted automatically under certain conditions.

Besides EP, there are also other types of work visas that allow foreign nationals to work legally in Malaysia.

Type of Visa	**Characteristics**	Employment Restriction	Max. Length of Stay
Professional Visit Pass	Short-term work pass for professionals e.g. specific projects and technical cooperation.	✔ Applicant must be employed by a company outside of Malaysia.	1 year
Long-term Social Visit Pass	• For temporary stay in Malaysia for a period of not less than 6 months; • It is renewable subject to the approval of Immigration Department of Malaysia; and • Spouse can be given the Social Visit Pass for up to 5 years of validity.	No restriction	Subject to approval
Resident Pass-Talent (RP-T)	• Aims to attract and secure foreign talent in important economic fields; • Upon acquisition of the pass, the spouse is not required to acquire EP to work in Malaysia; and • Children over 18, parents and spouse's parents are eligible for the Social Visit Pass for up to 5 years of validity.	No restriction	10 years

Penalties under Work Permit Violations

For each foreign employee working without a valid visa, a company's top executive (e.g. director, manager) shall be liable to :

- A fine of an amount between MYR 10,000 and MYR 50,000; and/or
- Imprisonment for a term not exceeding 12 months.

If the total number of employees with invalid visas exceed five, the abovementioned individual shall, on conviction, be subject to imprisonment of six months to five years, and shall also be liable to a whipping of not more than six strokes.

Visas

There are other types of visas available for foreign nationals to visit Malaysia (working in Malaysia is not allowed under the following visas):

- Single Entry Visa: issued for the purpose of social visits and is valid for three months;
- Multiple Entry Visa: issued for the purpose of business and is normally valid between three to 12 months and multiple entry is allowed. Each entry is permitted with a maximum stay of 30 days only, without extension; and
- Transit Visa: issued to those traveling to a third country via Malaysia.

Travelling to Malaysia[21]

Hong Kong residents are permitted to stay up to one month in Malaysia without a visa.

F. Religious and Cultural Concerns or Considerations[22]

Religion

Malaysia is a multicultural country with a Muslim majority. The Department for Islamic Advancement of Malaysia monitors the country's religious life, and Muslim religious practices are strictly regulated by law, while other religions are not.

Culture

Local cultural norms for Malays, Chinese, and Indians living in Malaysia vary in great degrees. Behaviours can vary according to gender or ethnicity, e.g. some Malay women may not shake hands with men.

It is advised to dress modestly in Malaysia, as the country remains fairly conservative, particularly in rural areas.

When interacting with Malaysians, it is generally important to be courteous and non-confrontational. Moreover, business relationships take time to build as personal trust is held in high regard in any business partnership.

Source:

[1] *Doing business in Malaysia 2018, PwC*

[2] *Doing business 2019 – Economy Profile Malaysia, A World Bank Group Flagship Report*

[3] *Labour & Employment – Malaysia, Content by Skrine (published by Law Business Research*

[4] *Children and Young Persons (Employment) (Amendment) Act 2010, Federation of Malaysian Manufacturers*

[5] *Implementation Guidance Child Labour (Malaysia), TFT Group*

[6] *Employment Law: Part-Time Employees in Malaysia, Chia, Lee & Associates*

[7] *Asia Pacific Redundancies and Terminations Overview, Baker Mckenzie*

[8] *HR Related Regulatory Requirements – Minimum Wages, National Human Resource Centre*

[9] *Malaysia: Employers required to contribute social security for foreign employees, PwC*

[10] *Contributions of Social Security Protection, PERKESO Prihatin*

[11] *HR Related Regulatory Requirements - PSMB (HRDF), National Human Resource Centre*

[12] *HR Related Regulatory Requirements – SOCSO, National Human Resource Centre*

[13] *Total Labour Force, World Development Indicators*

[14] *Dashboard & Data Mart – Key Indicators of Labour Market, Ministry of Human Resources*

[15] *Industry (including construction), value added per worker (constant 2010 US$), The World Bank*

[16] *Labour Force Survey Report, Malaysia, 2010-2018, Department of Statistics Malaysia*

[17] *Employee Relations – Union Matters, National Human Resource Centre*

[18] *The Official Portal of Immigration Department of Malaysia*

[19] *Malaysia Labor Laws, Persol HR Data Bank in APAC, PersolKelly Consulting*

[20] *Employment Pass Re-classification, MYXpats Centre*

[21] *Visa-free access or visa-on-arrival for HKSAR Passport, Immigration Department of HKSAR*

[22] *Doing Business in Malaysia, Institute of Export & International Trade*

5. Research and Development Environment

Executive Summary

Malaysia is considered to be an upper-middle income country, it is therefore one of the most advanced economies in Southeast Asia. The country successfully diversified its economy by leveraging science, technology and innovation as a major development thruster. The national government is currently implementing the 11th Malaysian Development Plan designed to strengthen the overall economic growth by focusing on five major emerging technologies.

Malaysia has a strong research and development (R&D) ecosystem in comparison with its peers. R&D expenditure represents around 1.5% of the GDP, its workforce is considered skilled and educated, and intellectual property protection is strong. However, the country may lack well established science and technology infrastructure (i.e. Science Parks) and clear incentives for foreign investors.

5. Research and Development Environment

I. *The Science and Technology (S&T) in Malaysia*

Since 1957, Malaysia has been relying on comprehensive five-year development plans to shape its economic growth. Under the guidance of these plans, Malaysia successfully managed to evolve from an agriculture dependent economy, to a manufacturing country. Currently, the government is implementing the 11th Malaysian Plan (11MP) designed to leverage innovation as the main driver of economic development and diversification. The final objective is for Malaysia to become a high income country.

Malaysia's Economy Transformation Timeline[1]

1957-1980 (1MP-3MP)	*1980-2000 (4MP-7MP)*	*2000-2020 (8MP-11MP)*	*2020 onwards (12MP+)*
Agriculture-based Economy	Manufacturing-based Economy	Innovation-led Economy	Sustainable Economy
Key focus: • *Land and Labour*	*Key focus:* • *Infrastructure* • *Labour* • *Government support*	*Key focus:* • *Emerging technologies* • *Talents* • *R&D*	*Key focus:* • *Innovation* • *Knowledge sharing* • *Sustainability*

A. Policies and Trends in S&T

The 11th Malaysian Plan (11MP)[2]

Launched in 2015, the 11th Malaysian Plan (11MP) is a five-year development plan designed to enhance every aspect of the country's economy in order to transform Malaysia into a high-income country by 2020. This plan focuses on six major pillars: enhancing efficiency of public services, fostering an inclusive development, pursuing a balanced development, empowering human capital, promoting green growth and strengthening the overall economic growth.

In order to accelerate economic growth, the government identified Innovation and Technology as a major driver. The priorities set for 2015-2020 are:

- Harnessing the Fourth Industrial Revolution to boost productivity and competitiveness;
- Increasing technology adoption to produce high value added products;
- Aligning research and innovation to accelerate innovation driven growth; and
- Enhancing capacity building to train a skilled workforce.

In 2018, the Malaysian government carried out a mid-term review of the 11MP and defined some new priorities. For innovation and technology, Malaysia identified five key areas to develop: biotechnology, digital technology, green-technology, nanotechnology and neurotechnology. Therefore, the majority of R&D efforts should focus on these specific areas.

To reach the multiple objectives defined in the 11MP, the government drafted a number of S&T policies.

The National Policy on Science, Technology & Innovation (NPSTI), 2013-2020[3]

The NPSTI is in its third stage of implementation. The first wave, named National Science and Technology Policy (STP1), started in 1986. It fostered the integration of S&T in national development plans, and built the base of Malaysia's R&D funding and S&T infrastructure. The second stage, the STP2, enhanced the first policy and focused on creating a dynamic S&T environment. The NPSTI 2013-2020, is the continuity of STP1 and STP2. It acts as a strategic guideline for science, technology and innovation (STI). The main goals of the policy are the following:

- Promoting scientific R&D and fostering results commercialisation (e.g. R&D expenditure must represent 2% of the 2020 GDP);
- Enhancing and developing S&T talents (e.g. reach a ratio of 70 researchers for 10,000 labour force in 2020);
- Revitalising industries using R&D and S&T (e.g. promote public and private collaboration);
- Transforming STI governance (e.g. strengthen STI related councils); and
- Enhancing international alliances and cooperation (e.g. develop domestic and international S&T networks).

The policy also highlights nine priority areas for R&D efforts: biodiversity, cyber security, energy security, environment & climate change, food security, medical & healthcare, plantation crops & commodities, transportation & urbanisation and water security.

Supporting Policies[4]

To support the implementation of the NPSTI, the Malaysian government drafted additional polices which focus on developing a specific aspect of the S&T framework. Below are examples of two supporting policies.

- The Science to Action (S2A) Programme is a national initiative designed to promote Malaysia's sustainable growth beyond 2020 using S&T. Various stakeholders (public or private sector) are encouraged to participate in the programme in order to apply S&T solutions in the day to day business operations or government institutions. The objective is to reach socioeconomic well-being.
- The Higher Education Strategic Plan aims to train a skilled workforce to fuel economic development. In order to do so, it focuses on expanding access to education, improving education quality (including higher education), promoting internationalisation and enhancing R&D institutions.

Outlook[5,6]

Overall, the government initiatives designed to boost the S&T ecosystem appear to have a positive effect on Malaysia. The country ranked 30th out of 140 countries in the "Innovation Capability" criteria of the 2018 Global Competitiveness Index. The country was ranked second among the ASEAN countries. Malaysia especially ranked high in multi-stakeholder collaboration (6th), buyer sophistication (8th) and state of cluster development (9th). However, the country scored low on trademark applications (55th), scientific publication (44th) and patent applications (42nd).

Nevertheless, a lack of transparency in R&D expenditure data has been highlighted. The latest available data dates back to 2016; that year the R&D expenditure reached 1.44% of the GDP. This figure is still far behind the country's target of 2% of GDP in 2020.

B. S&T Related Organisations

In Malaysia, the government plays a key role in S&T policymaking and in R&D implementation. There is one major Ministry in charge of S&T matters in the country – the Ministry of Energy, Science, Technology, Environment & Climate Change (MESTECC), with two other divisions that strengthen this ecosystem.

Ministry of Energy, Science, Technology, Environment & Climate Change (MESTECC)[7]

The MESTECC is a new body created in 2018, merging various government ministries, including the Ministry of Science, Technology and Innovation. This new institution's vision is to use S&T to promote wealth creation, environment and energy sustainability. Its main missions are:

- Developing an S&T ecosystem to support Malaysia's economic interests (e.g. increase new technology commercialisation);
- Fostering research, development & innovation strategic collaboration between the public and private sectors (e.g. increase industrial productivity);
- Managing energy resources to ensure a sustainable and affordable energy supply (e.g. increase renewable energy electricity generation to 20% of total generation); and
- Preserving the environment to create new growth opportunities (e.g. reduce pollution through education and enforcement).

The missions are mainly carried out by divisions/bodies that operate under the MESTECC.

The Malaysian Science and Technology Information Centre (MASTIC)[8]

Created in 1992, the MASTIC is a division that operates under the MESTECC. The centre acts as a knowledge platform gathering strategic STI information. Each player of the S&T ecosystem (e.g. private and public sector) can access this reliable and up-to-date information, and provide inputs for the development of national STI policies.

The Office of Science Advisor (OSA)[9]

This Office serves as the national advisor to STI. The OSA operates in direct contact with the Prime Minister of Malaysia and advises him on government policies and national strategies concerning R&D in S&T.

The OSA's secondary mission is to manage/chair the Malaysian Industry-Government Group for High Technology (MIGHT). The latter is composed of industry professionals and government representatives who assist the OSA in its operations. For example, the MIGHT drives the Science to Action programme. In addition, the two bodies (the OSA and MIGHT) also focus on promoting investment in R&D, strengthening STI human capital and promoting science diplomacy.

II. The Infrastructure of Science and Technology

A. Government R&D Institutes and/or Funding Agencies[10,11,12]

The government is one of the most important players in the R&D ecosystem. It publishes strategic guidelines or national policies and uses its investment power to develop the corresponding infrastructure.

In Malaysia, the central government manages two major R&D centres:

- MIMOS (located at Technology Park Malaysia) is a national applied R&D centre which plays a key role in Malaysia's digital transformation. It has twelve main focuses: accelerative technology, advanced computing, artificial intelligence, cognitive analytics, information security, intelligent informatics, microelectronics, nanoelectronics, photonics, strategic advanced research, user experiences and wireless communications; and
- SIRIM is a national industrial research and technology organisation, carrying out research in energy management, smart manufacturing and nanotechnology. It also hosts technology centres focusing on biotechnology, environmental technology and machinery technology.

The central government and local state authorities also support five science park projects in Malaysia.

Location of Science Parks in Peninsular Malaysia

Park Under Construction

Existing Park

This map is for illustrative purposes only, and does not imply official endorsement or acceptance of any boundaries and/or names.

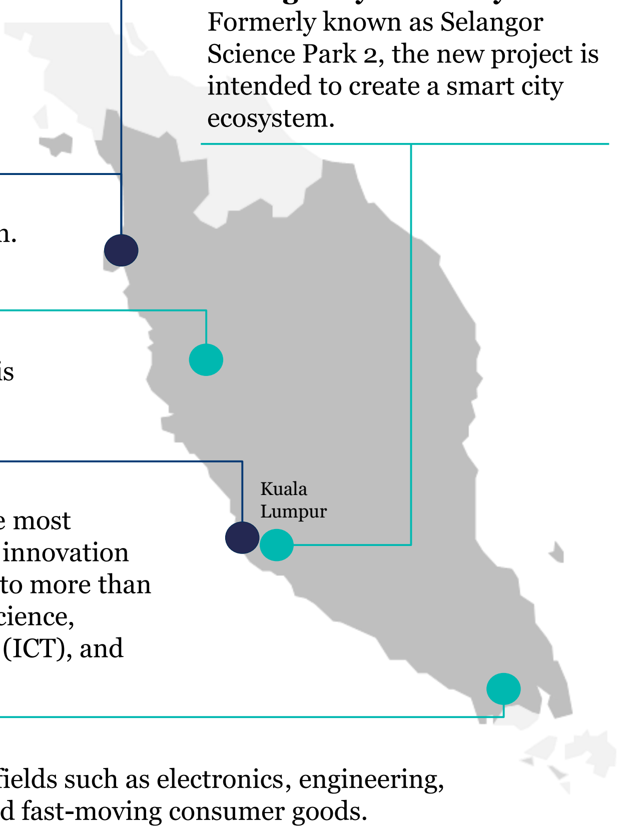
Kulim Hi-Tech Park
Target companies working in semiconductors, green energy, advanced electronics, medical instruments, biotechnology, aerospace and emerging technologies.

Selangor Cyber Valley
Formerly known as Selangor Science Park 2, the new project is intended to create a smart city ecosystem.

Penang Science Park Malaysia
Focuses on strategic industries such as hi-tech or biotech.

Perak Hi-Tech Industrial Park
Designed as a hi-tech innovation area, the construction is expected to commence in 2019.

Technology Park Malaysia
Created in 1996, it is operated by the MESTECC. It is the most advanced park in the country, designed to be Malaysia's innovation facilitator and technology enabler, and offering services to more than 3,000 companies working in biotechnology, computer science, hardware, information and communications technology (ICT), and software engineering.



Nusajaya Tech Park *(private)*
The park can host up to 200 companies with a focus on fields such as electronics, engineering, pharmaceutical and medical devices, food processing and fast-moving consumer goods.

B. University-based R&D Institutes[13,14]

Apart from the government, universities are also important players in the R&D field. According to the 2019 QS Asia University Rankings, Malaysia has 21 universities ranked in the top 300, indicating a moderate research and teaching quality. Typically, QS Institute ranks the top universities in Asia according to six criteria, among which the most important ones are academic reputation (assessing teaching and research quality) and citation per faculty (assessing importance of research outputs). The top Malaysian institution ranked 19th, with another five universities ranked in the top 100. The ranking implies that R&D carried out in the universities has a reasonable/moderate impact on the S&T international scene.

Out of the 20 public Malaysian universities, five have been chosen by the government to be Research Universities. This status grants them additional funding for R&D activities and enables them to commercialise their research output. The table below provides an overview of these five universities:

University (ranking)	Description and Research Focus
University Malaya (19th)	Hosts four research focused clusters: • Innovative Industry & Sustainability Science (e.g. energy, Industry 4.0); • Frontiers of the Natural World (e.g. biotechnology); • Health & Well-Being (e.g. diseases); and • Social Advancement & Happiness (e.g. smart society, education).
University Putra Malaysia (34th)	Hosts six research centres with a major focus on agriculture and its derivatives: • Agriculture/Food/Forestry and Environment; • Health; • Science Technology and Engineering; and • Social Science.
University Kebangsaan Malaysia (41st)	Hosts four research focused centres: • Langkawi Research Centre focuses on natural resources and tourism; • Southeast Asia Disaster Prevention Research Initiative focuses on climatic, geological and technological hazards; • Research Centre for Sustainability Science and Governance carries out transdisciplinary research in sustainability and sciences; and • Research Centre for Environmental, Economic and Social Sustainability.
University Sains Malaysia (43rd)	Focuses research on: • Pure, applied, pharmaceutical and social sciences; • Building science and technology; and • Humanities and education.
University Teknologi Malaysia (47th)	Focuses on five main areas in line with national priorities: • Frontier Material (e.g. construction materials); • Resource Sustainability (e.g renewable energy); • Health and Wellness (e.g cancer); • Innovative Engineering (e.g. machinery); and • Smart digital community (e.g. telecommunications).

C. Private Business Firms (Research Centres)

Private business firms are important investors in a country's R&D ecosystem. Research carried out in such centres can lead to great innovations benefiting the entire nation. In Malaysia, private businesses are deeply collaborating with the public sector. Numerous firms jointly established research centres, education programmes or partnered with public universities and government agencies.

Selected Major R&D Collaborations Between the Private and Public Sectors in Malaysia

Investor(s)	Research Focus	Description[15,16,17,18]
Ericsson – University Teknologi Malaysia	Telecom and applications (5G)	Opened Malaysia's first Innovation Centre for 5G technology in 2016 in Kuala Lumpur. The centre features: • A research lab focusing on 5G and its applications; • An innovation showcase promoting robotics, internet of things (IoT), augmented reality; and • Learning programmes training 2,000 students over a three-year period on the new digital economy.
Microsoft - MIMOS	Artificial Intelligence, Internet of Things	Cooperation announced in 2018 to help Malaysian small and medium-sized enterprises (SMEs) tackle Industry 4.0 challenges. The partnership focuses on: • Creating an IoT platform for companies; • Fostering the use of Artificial Intelligence (AI) in SMEs; and • Opening two schools delivering trainings in AI and IoT.
Toray - Universiti Sains Malaysia	Green-tech	Toray (which develops technologies in fibres, textiles, plastics and chemicals), invested MYR 4 million to build a knowledge transfer centre on the USM campus. Apart from knowledge transfer, the centre also focuses on research in green technologies.
CIMB - University Utara Malaysia	Banking	CIMB Bank partnered with UUM in 2015 to create the Chair of Banking and Finance. The Chair focuses on developing banking and finance in Malaysia through research. The Chair is also designed to train a highly qualified workforce in banking and finance.

D. Infrastructure Availability for Foreign Investments

Promoting public/private collaboration and enhancing international alliances are two major objectives stated in the NPSTI. As outlined in the previous section ("Private business firms"), various foreign companies are collaborating with government entities and universities in order to create R&D centres or training programmes. This example demonstrates that the Malaysian government is keen on receiving foreign investment in the S&T field. However, at the moment there are no policies incentivising foreign companies to build their own infrastructure or joining existing ones. For example, there is no sign that the Technology Park Malaysia hosts foreign companies on the campus or that it supports them on R&D activities.

III. Priority Areas in Malaysia (major exports)[19]

Malaysia has transformed from a raw natural resources producer to a very diversified economy. In 2018, Malaysia's top five exports were:

Top Five Exports	% of Total Exports (in 2018)
Electrical Machinery and Equipment	33.6%
Mineral Fuels (including oil)	15.5%
Machinery	10.3%
Animal or Vegetable Fats and Oils	4.9%
Optical, Technical, Medical Apparatus	3.8%

With the 11MP Malaysia chose to push the development of new technologies such as biotech, green-tech, digital tech and nanotech in order to upgrade its exports. In 2017, 28% of the country's manufactured exports were labelled as hi-tech products (e.g. products with high R&D intensity, such as in the computers, aerospace, pharmaceuticals industries). This percentage is one of the highest among the ASEAN countries but is lower than that of the Philippines, for example.

IV. Funding for S&T and R&D[20]

R&D companies are eligible for various funding programmes provided by the following government bodies.

Funding from the Ministry of Energy, Science, Technology, Environment & Climate Change (MESTECC)

Fund	Description	Requirements	Conditions
MESTECC Research & Development Fund	• Funding for businesses and researchers carrying out projects that lead to economic growth or social benefits.	• The fund is open to SMEs • Project must at least have a proof of concept which is scientifically valid, and competitive with current technologies	• Maximum funding of MYR 3 million (around USD 700,000) • Maximum support for 2 years
Malaysia Social Innovation Fund	• Grant for projects improving/developing existing or new innovative products and services for the sake of improving the well- being of rural communities.	• Company commits to helping communities of the B40 (urban and rural poor)	• Maximum funding of MYR 300,000 (around USD 70,000) • Maximum support for 2 years
International Collaboration Fund	• Grant for international joint R&D projects between researchers from Malaysia and other countries	• The funding is open to researchers employed by the Government Research Institutions (GRIs); Government Science, Technology and Innovation Agencies; and Public and Private Institutions of Higher Learning (IHL)	• Maximum funding of MYR 500,000 (around USD 120,000) • Maximum support for 2 years

Funding from the Malaysian Technology Development Corporation Sdn Bhd (MTDC)

Fund	Programme	Description	Requirements	Conditions
Commercia-lisation of R&D Fund (CRDF): funding for commercial-lisation of technologies undertaken by private or public Malaysian companies	CRDF 1	• Grant for the commercialisation of R&D output from public and private University (PPU) or Government Research Institute (GRI) by a spin-off company	• Company must be at least 51% Malaysian-owned • Technology must belong to the Priority Technology Clusters identified by MOSTI excluding ICT	• Partial grants with a maximum of MYR 500,000 (around USD 120,000) or 90% of the eligible expenses (whichever is lower) • Maximum support for 2 years
	CRDF2	• Grant for the commercialisation of R&D output from Public and Private University (PPU) or Government Research Institute (GRI) by a Start Up company	• Company must be at least 51% Malaysian-owned • Technology must belong to the Priority Technology Clusters identified by MOSTI excluding ICT	• Partial grants with a maximum of MYR 500,000 (around USD 120,000) or 70% of the eligible expenses (whichever is lower) • Maximum support for 2 years
	CRDF3 (a)	• Grant for the commercialisation R&D by SMEs	• Company has less than MYR 25 million annual turnover or less than 150 employees • Company must be at least 51% Malaysian-owned	• Partial grants with a maximum of MYR 4 million (around USD 1 million) or 70% of the eligible expenses (whichever is lower) • Maximum support for 2 years
	CRDF (b)	• Grant for the commercialisation of public sector R&D by a non-SME	• Company has more than MYR 25 million annual turnover and more than 150 employees • Company must be at least 51% Malaysian-owned	• Partial grants with a maximum of MYR 4 million (around USD 1 million) or 50% of the eligible expenses (whichever is lower) • Maximum support for 2 years

Funding from the Cradle Fund Sdn Bhd

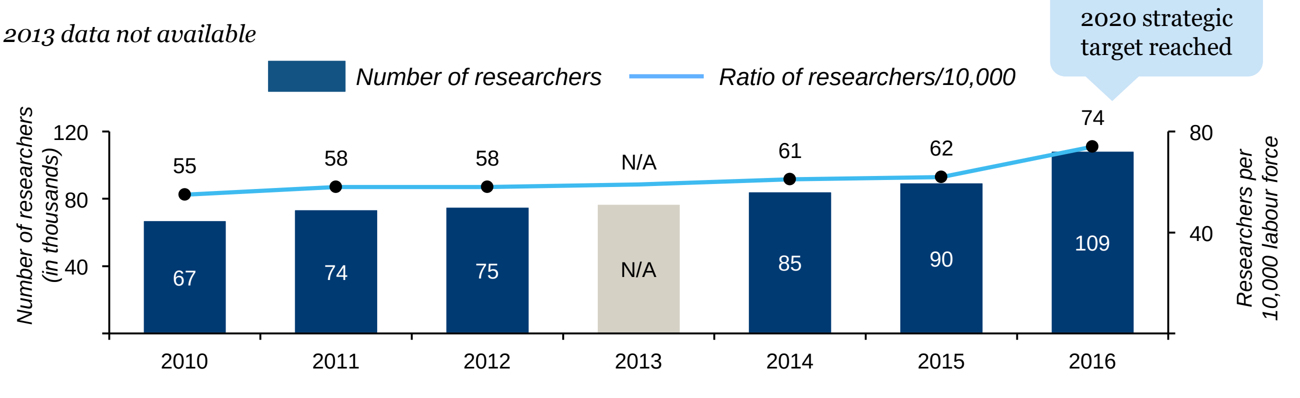
Fund	Programme	Description	Requirements	Conditions
Cradle Investment Programme (CIP): funding for pre-seed /prototype development or technology commercia-lisation	CIP Catalyst	• Pre-seed fund designed to help entrepreneurs develop ideas into prototypes • Focus on technology-based ideas in the ICT, non-ICT and high growth technology industries	• Team of 5 people maximum (min 2) • Main applicant is Malaysian aged 18 years and above and resides in the country	• Conditional grant up to MYR 150,000 (around USD 30,000)
	CIP 500	• Technology commercialisation fund for budding companies (i.e. companies with promising prospects towards success)	• Company must be at least 51% Malaysian-owned • Company in operation for less than 3 years; with revenue of less than MYR 5 million • Company owns IP of prototypes	• Grant up to MYR 500,000 (around USD 120,000)

V. *Human Resources for S&T*[21,22]

Malaysia's workforce is regarded as highly educated, multilingual and productive when compared with its Southeast Asian peers. In the NPSTI, the government set S&T human resources (HR) development and training as a priority. It also fixed a target ratio of 70 researchers for every 10,000 people in the labour force to be reached in 2020. As a result of supporting policies, the number of researchers grew significantly between 2010 and 2016, meeting the 2020 objective four years in advance. In 2016, Malaysia had around 109,000 researchers, which is a ratio of 74 researchers for every 10,000 people in the labour force.

Evolution of the S&T Workforce in Malaysia (2010-2016)

2013 data not available



Malaysia has a relatively established S&T workforce. In the 2019 Global Innovation Index, Malaysia ranked 36th out of 126 countries in the criteria "Researchers, FTE/million population". The country ranked second among the ASEAN countries.

In addition, it can leverage its strong base of S&T educated people. The country ranked eighth worldwide in the criteria "% of graduates in science and engineering", with around 32% of the total number of tertiary graduates graduated in science and engineering *(Note)*.

Note: the figure represents the share of all tertiary-level graduates in natural sciences, mathematics, statistics, information and technology, manufacturing, engineering, and construction as a percentage of all tertiary-level graduates.

VI. Supports in Testing and Verification[23]

The Malaysian government provides support in testing and certification through its national research centre SIRIM. SIRIM QAS International is regarded as Malaysia's leading certification, inspection and testing body. It acts as a one-stop solution for companies, by providing a comprehensive range of services related to testing, inspection and certification. The main benefits of using SIRIM QAS International services are:

- A greater compliance to market standards for products sold in Malaysia or abroad;
- Access to over 37 countries around the world via the International Certification Network (IQNet); and
- A guaranteed up-to-date certification scheme with continuous updates, specifically focused on consumers and the environment.

VII. Intellectual Property Policy[24]

Intellectual property (IP) rights are an important factor to consider when entering a country. Some nations have trouble implementing a strong framework to protect IP rights which can lead to serious damages to the companies. Each year the Global Intellectual Property Center publishes a worldwide ranking which analyses eight IP protection related categories: patents, copyrights, trademarks, trade secrets, commercialisation of IP assets, enforcement, systemic efficiency, as well as membership and ratification of international treaties. According to the 2019 IP Index published by the Global Intellectual Property Center, Malaysia's IP Protection is relatively average. Globally, the country is ranked 24th out of 50 analysed countries. Regionally its performance is in line with other Asian countries. Overall Malaysia scored 50% compared with 52% for the Asian Average (as a reference the top five world economies averaged 92% on the index).

The report underlines areas where Malaysia's IP protection is strong:

- The Malaysian government puts a strong focus on IP protection and uses it as a commercial asset and a technology transfer lever;
- Existence of the Intellectual Property Corporation of Malaysia (MyIPO), a central body responsible for managing IP protection;
- Efforts to strengthen IP enforcement especially against infringing goods in transit; and
- Generous R&D and IP-specific tax incentives in place.

However, some areas of improvements are also noted**:**

- Malaysia does not offer patent term restoration; and
- Lack of full term protection for new products.

Source:

[1] Science and Technology Foresight Malaysia 2050, Academy of Science Malaysia, 2017

[2] Mid-Term Review of the Eleventh Malaysian Plan, Ministry of Economic Affairs, 2018

[3] National Policy on Science Technology & Innovation (NSPTI), MESTEEC, 2013

[4] Science to Action, MIGHT, 2019

[5] The Global Competitiveness Report 2018, World Economic Forum

[6] National Research And Development (R&D) Survey, MASTIC

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[11] About Us, SIRIM

[12] Parks dedicated websites and press articles

[13] QS Asia University Rankings 2019, QS World University Rankings

[14] Malaysian Research Universities the way forward, New Strait Times, 2018

[15] Ericsson and UTM establish Innovation Centre for 5G in Malaysia, Ericsson, 2016

[16] Malaysia R&D centre and leading tech company partner to provide IoT and AI to SMEs, Opevn Gov, 2018

[17] Knowledge Transfer Centre (USM)

[18] CIMB partners UUM to launch the CIMB-UUM Chair of Banking and Finance, CIMB, 2015

[19] Trade Map, International Trade Centre

[20] Research & development services, MIDA, 2017

[21] National Research And Development (R&D) Survey, MASTIC

[22] Global Innovation Index 2019, INSEAD

[23] Our Services, SIRIM QAS International

[24] GIPC IP Index, Global IP centre, 2019

6. Supply Chain Environment

Executive Summary

Malaysia has a diversified economy with a focus on manufacturing. In recent decades, the manufacturing sector has grown significantly. The next phase of the evolution is referred to as Industry 4.0, which focuses on transforming the manufacturing process from a labour intensive one to an automated one with robotics.

As compared with other countries in the region, Malaysia has relatively established infrastructure. The country benefits from strategic access to the Straits of Malacca, one of the most important shipping lanes in global trade. Further infrastructure development should help Malaysia to become a major logistics hub in Southeast Asia.

6. Supply Chain Environment

I. Industry Profiles in Malaysia

Breakdown of 2018's Top 10 Exports[1]

Malaysia's major sectors by gross domestic product (GDP) in 2017 are services (53.6%), industry (37.6%) and agriculture (8.8%).

The major industries in Malaysia are the electronics, construction, and automotive industries. The service sector includes financial services and tourism. The primary products dominating the agricultural industry in Malaysia are palm oil, rubber, paddy, and coconut.

In 2018, Malaysia's total global shipments amounted to USD 247.3 billion of which 80% were contributed by its top 10 exports.

Product Groups *(Note)*	**Value in 2018**	**% of Total Exports**
1. Electrical machinery and equipment	USD 83.0 billion	33.6%
2. Mineral fuels including oil	USD 38.4 billion	15.5%
3. Machinery	USD 25.4 billion	10.3%
4. Animal or vegetable fats and oils	USD 12.1 billion	4.9%
5. Optical, technical, medical apparatus	USD 9.4 billion	3.8%
6. Plastics and related products	USD 9.4 billion	3.8%
7. Rubber and related products	USD 7.5 billion	3.0%
8. Organic chemicals	USD 4.9 billion	2.0%
9. Other chemical goods	USD 4.4 billion	1.8%
10. Aluminium and related products	USD 3.9 billion	1.6%

Note: The above categories are grouped based on the Harmonized Commodity Description and Coding System (HS Code). For specific items within each category, please refer to www.censtatd.gov.hk/trader/hscode/index.jsp

The manufacturing sector plays an important role in Malaysia's economy. It provides jobs, attracts investments, and creates business opportunities in the downstream industries and related services sectors. The sector is mainly made up of small and medium-sized enterprises (SMEs), which account for 98.5% of the manufacturing firms. Through the Industry4WRD national policy, the Malaysian government is trying to support these SMEs in adopting the latest technologies, enabling them to play a more important role in the global supply chain.

II. The Key Supported Industries in Malaysia[2]

In 2018, the Malaysian government launched the National Policy on Industry 4.0 (Industry 4WRD) in response to the Fourth Industrial Revolution (4IR). The policy aims to drive the digital transformation of the manufacturing sector and its related services and see Malaysian companies switch from labour intensive mass production lines to automated assembly lines using robotics, increasing efficiency and productivity. Supporting the use of new technologies such as the internet of things (IoT), which allow machine to machine communication, will be a key success factor of the policy.

The Industry4WRD identifies and focuses five high potential sectors: Electrical & Electronics, Machinery & Equipment, Chemical, Medical Devices and Aerospace. Among these, the electronics and machinery industries are two of the most important industries in Malaysia's manufacturing sector.

A. Supply Chain Policy for Key Supported Industries and Local Supply Situations

Electronics

As the leading industry in the Malaysia's manufacturing sector, the Electrical & Electronics (E&E) industry has contributed significantly to the country's exports and employment. The Electrical & Electronics Productivity Nexus (EEPN) was formed in 2017 to help further boost the E&E industries in Malaysia.

In general, Malaysia is able to contribute along the whole E&E supply chain, with over 3,000 local suppliers, diverse component manufacture and assembly companies, and even electronics packaging companies. The main challenge facing the E&E industries is the lack of highly skilled engineers. As Malaysia transforms the E&E industries through Industry 4.0, the universities and other training centres in the country, will be needed to help with the training and re-training of the workforce.

Initiatives aiming to improve the hi-tech training in the E&E industry include:

- The MIMOS-NCIA Advanced Competency Development Centre launched by MIMOS Berhad (an agency under the Ministry of Science, Technology and Innovation), and the Northern Corridor Implementation Authority (NCIA).
- A talent development programme between the Malaysian Investment Development Authority (MIDA), and the corporate arm of Universiti Sains Malaysia.

Machinery

Focusing on high value added and hi-tech products, the machinery industry is identified as one of the key areas of growth and economic development for Malaysia as it has strong linkages to various large-scale economic sectors such as manufacturing, construction and services.

However in 2017, the Ministry of Finance reported that Malaysia was ranked 46th out of 137 economies in terms of efficiency in adopting technologies to enhance productivity of industries. One of the main challenges for Malaysia is that the country currently has a large pool of low skill and low cost foreign-workers. While normally a benefit for developing countries, this factor actually discourages employers from moving towards automation, hence resulting in a low adoption of technology. The government aims to change this with Industry4WRD, through working with foreign and local industry leaders to set up Industry 4.0 demonstration labs and enhance knowledge transfer.

III. Key Raw Materials Sourcing Platforms/Channels[3]

The Bohai Commodity Exchange (BOCE) is the main Malaysian e-commerce trading platform. It provides Malaysian and the ASEAN companies a safe and efficient way to do business in Mainland China, so that they can take advantage of the opportunities offered by Mainland China's Belt and Road Initiative (BRI). The platform connects buyers and sellers in the region and facilitates exporters' registration, documentation and bidding. The main advantage of the platform is the unlimited exports volumes.

IV. Procurement Situation (local and overseas) of Raw Materials[4,5]

A. Hurdles or Problems Encountered

Malaysia is an important manufacturing hub in Southeast Asia. The country is ideally located along the Straits of Malacca which facilitates the distribution of manufactured goods. The Malaysian government also offers numerous tax and non tax incentives to foreign manufacturing companies located in the 18 Free Industrial Zones (FIZs). These unique advantages, coupled with adaptable commercial law, make Malaysia an ideal base for export-oriented businesses in Southeast Asia.

According to a 2019 report by the World Bank, Malaysia ranked 15th out of 190 countries in Ease of Doing Business. It ranked second among the ASEAN countries (Hong Kong ranked fourth worldwide in the same report). However, companies intending on expanding to Malaysia should consider the following hurdles:

- Starting a business in Malaysia is very complicated (ranked 122nd on the criteria of starting a business);
- Tax compliance is a difficult process (ranked 72nd on the criteria of paying taxes); and
- Trading across borders is not simple (ranked 48th on the criteria of trading across borders).

B. Efficiency of Customs and Clearance Process

Malaysia applies two systems of tariff classification. ASEAN Harmonized Tariff Nomenclature (AHTN) is used for trade transaction between Malaysia and the other ASEAN countries, whilst the HS Code applies for trade with non-ASEAN countries. All imported and exported goods into/from the country must be categorised based on the Malaysian Customs tariff number.

All the goods imported are liable for Sales and Service Tax (SST), unless specifically exempt. Any queries regarding classification of import and export goods should be made to the particular customs station of which the goods are to be imported. Some products require a licence or Approved Permit (AP) before importing/exporting. These include motor vehicles, iron and steel, heavy machinery and chemicals. The full list can be found on the MITI website (www.miti.gov.my).

For all other products, no AP is required but import/export declarations should be submitted online through eDeclare (www.mytradelink.gov.my). In addition, other supporting documents may be required.

Custom Clearance Process

Customs Declaration	Lodging the Goods	Payment of Duties and Taxes	Inspection and Release of Cargo
Step 1: Goods imported or exported are subject to customs declaration. Relevant list of documents are required for submission to the Malaysian Customs at the Customs Station at the place where the goods are to be imported/exported.	Step 2: Goods shall be lodged to the customs offices at the checkpoint. After acceptance of the customs, goods are permitted to be unloaded to warehouses.	Step 3: All duties/custom taxes imposed on imported goods will need to be paid in advance before the goods can be released (import tax and goods and services tax).	Step 4: The customs' right of inspection includes the power to take and test samples of the goods. All expenses of unpacking, re-packing and providing specialised facilities must be borne by the importer. Most consignments are given direct release based on accepted documents presented together with the customs declaration form without physical examination.

The following table shows the supplementary documents needed for customs declaration:

	Import and Export Goods
1	Custom Form No.1
2	Bill of lading/airway bill
3	Commercial invoice or pro-forma invoice
4	Packing list
5	Any other relevant permits, licenses or certificates

V. *Logistics Support*

A. Infrastructure Conditions (e.g. major airports/ports/highways)[6,7]

Malaysia's logistics infrastructures are relatively well-established when compared with the other ASEAN countries.

Airports

Malaysia has a total of 40 airports, of which six are international airports: the Kuala Lumpur (KUL), Langkawi (LGK), Kuching (KCH), Penang (PEN), Kota Kinabalu (BKI), Senai (JHB) International Airports.

In 2018, the passenger traffic grew by 3% (compared with 10% in 2017) to reach 102.4 million passenger a year, and the total cargo handled by Malaysian airports reached 0.97 million tonnes, representing a 2% growth compared with 2017.

Seaports

Malaysia has 7,200 kilometres of waterway and benefits from a strategic location along the Malacca Strait. Malaysia has a total of 14 seaports of which only four can handle one million TEUs or more (Penang, Klnag, Tanjung Pelepas, and Johor). In addition there are three others international ports: Kuantan, Kemaman and Bintulu.

In 2018, 24.9 million TEUs were handled through these ports, representing a 5% growth compared with 2017.

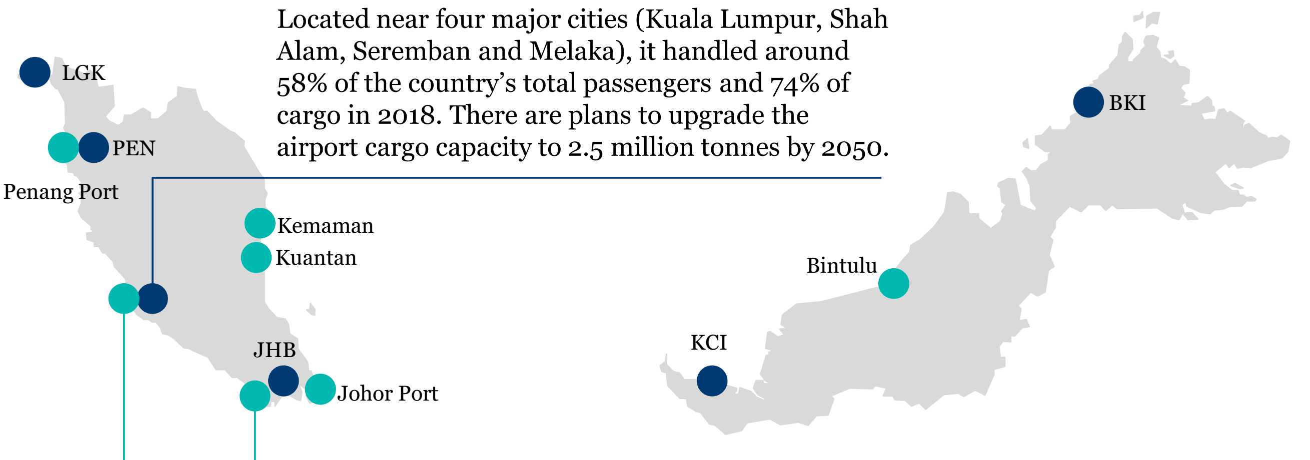
Location of Major Airports and Seaports in Malaysia

International Airports

Major Ports

Kuala Lumpur International Airport

Located near four major cities (Kuala Lumpur, Shah Alam, Seremban and Melaka), it handled around 58% of the country's total passengers and 74% of cargo in 2018. There are plans to upgrade the airport cargo capacity to 2.5 million tonnes by 2050.



Port Klang

Ranked 11th busiest port in the 2019 World Shipping Council Report. In 2018 the port handled 12.3 million TEU, nearly half of Malaysia's total cargo. The port is undergoing an upgrade process to increase its capacity to 16 million TEU by 2020.

Tanjung Pelepas Port

Ranked 19th busiest port in the 2019 World Shipping Council Report. In 2018, the port handled 9.0 million TEU.

This map is for illustrative purposes only, and does not imply official endorsement or acceptance of any boundaries and/or names.

Highways

Malaysia's road network is 237,000 km long with 2,100 km of expressways (around 1%). Generally, the country's highways are well maintained and link major cities or industrial areas to other transportation networks such as airports and seaports.

The North-South Expressway is the longest highway of the country, and spans over nearly 800 km extending from the border of Thailand in the north to the border of Singapore in the south. It is an efficient mean to transport cargo across the entire peninsular Malaysia.

Railways

The railway system in Malaysia is run by the state-owned Keretapi Tanah Melayu Berhad (KTMB) and covers nearly 2,000 kilometres. The KTMB is the main passenger train and freight trains operator in Malaysia.

In 2019, the Malaysia Rail Link Sdn Bhd (MRL) signed an agreement with the China Communications Construction Company (CCCC) to continue construction of the East Coast Rail Link (ECRL). The ECRL is a 640km railway aiming to connect Port Klang on the Straits of Malacca to Kota Bharu in northeast peninsular Malaysia.

B. Key Logistics Hubs[8]

The Malaysian government plans to turn the country into an ASEAN logistics hub. In order to do so, the Ministry of Transport is implementing the Logistics and Trade Facilitation Masterplan 2015-2020 to facilitate transportation in Malaysia, increase connectivity between various networks, upgrade the logistics environment and support the freight logistic industry.

As part of this strategy, the government identified e-commerce as an important lever. For this reason, Malaysia has partnered with Alibaba to build a Digital Free Trade Zone (DFTZ) in the country. The DFTZ is intended to increase Malaysian SMEs' access to major global trade partners. Unlike the traditional duty-free zone where goods are stored in physical area, the DFTZ aims to digitalise trade to help SMEs in their cross-border e-commerce activities.

Within the DFTZ, Alibaba is planning to build a regional eFulfilment hub. The hub, located at the Kuala Lumpur International Airport (KLIA), will foster multimodal transportation by leveraging existing air freight infrastructure, sea freight via Port Klang and railway cargo via Bukit Kayu Hitam.

C. Logistics Information Tractability and Transparency[9]

Malaysia has relatively strong logistics performance as compared to other ASEAN countries. In the 2018 World Bank's Logistics Performance Index (LPI), Malaysia was ranked 41^{st} out of 160 countries for the overall LPI, a drop from the 2016 result (ranked 32^{nd} out of 160). Malaysia ranked fourth amongst the ASEAN countries.

On a granular level, the LPI score is made up of six elements: (1) Customs; (2) Infrastructure; (3) International shipments; (4) Logistics competence; (5) Tracking and tracing and (6) Timeliness. Malaysia performed well in the International shipments (32^{nd}), and Logistics competence (36^{th}) categories, but performed relatively worse in the Timeliness category (53^{rd}).

Source:

[1] Trade Map, International Trade Centre

[2] Industry4WRD, Ministry of International Trade and Industry

[3] Commodities Global Trade homepage

[4] Rankings & Ease of Doing Business Score, The World Bank

[5] Top 10 challenges of doing business in Malaysia, TMF Group

[6] Briefing Developed Infrastructure, Malaysian Investment Development Authority

[7] Ministry of Transport official statistics

[8] Alibaba to set up regional logistics hub in Malaysia, Reuters

[9] Logistics Performance Index (LPI), The World Bank, 2018

7. Infrastructure

Executive Summary

Malaysia has relatively established industrial and transportation infrastructure.

Domestic and foreign investors can choose to locate their manufacturing activities in over 500 industrial estates across the country. They can also benefit from special facilities offered by industry specific parks or be granted financial and non-financial incentives by doing business in Free Industrial Zones. In addition, the government is pushing industrial parks to upgrade their facilities.

Malaysia also has established transportation infrastructure comparable with other countries in the region. Despite the government's intent to put on hold major infrastructure projects to reduce the national debt, it is estimated that the private and public sectors will invest USD 384 billion between 2016 and 2040, therefore meeting more than 80% of the country's infrastructural needs.

7. Infrastructure

I. List of Major Industrial Parks or Zones and Geographical Locations

A. Availability of Infrastructure, Associated Cost of Usage, and Options for the Major Industrial Parks or Zones[1,2,3,]

Malaysia has over 500 industrial estates throughout the country available for domestic and foreign investments. Some of these industrial parks are designed to fulfil specific industry needs, for example, technology parks or hi-tech parks focuses on attracting companies carrying out activities related to research and development (R&D) or new technologies. In addition, some industrial estates are located in the 18 Free Industrial Zones (FIZs) developed in Malaysia, which are catered for export-oriented companies.

Support and Incentives

Utilities

Generally, industrial estates in Malaysia are equipped with multiple infrastructure such as reliable and stable electricity, clean and potable water, centralised sewage services, telecommunications infrastructure (via fibre-optic gateway) or pipelines to provide industrial gases. The parks also offer additional services such as security surveillance, housing options for employees and other facilities.

Transportation

Industrial parks are generally located within range of multiple transportation infrastructure (e.g. national highways leading to airports or seaport). For example, multiple FIZs are established near Malaysia's greatest ports (e.g. Pasir Gudand FIZ near the port of Johor).

Government Incentives

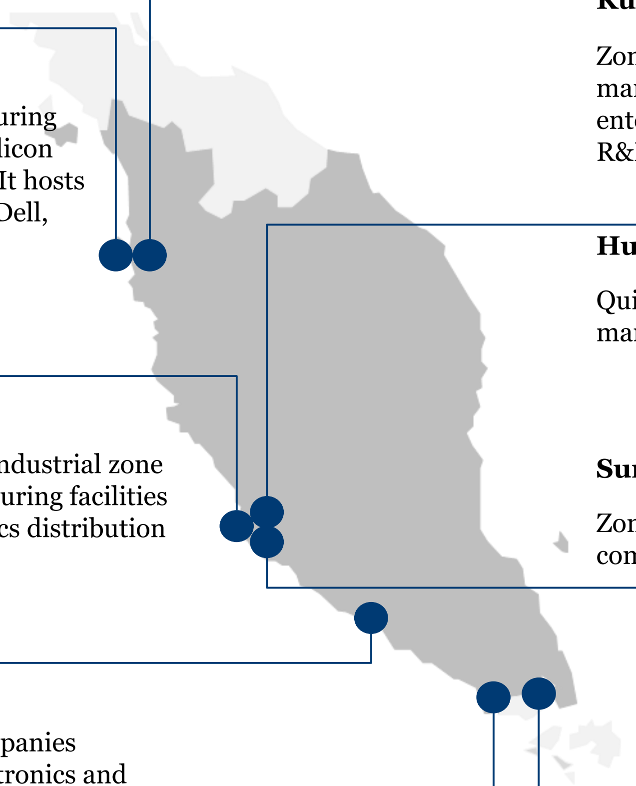
In order to attract domestic and foreign investors and boost its manufacturing sector, Malaysia set up different types of zones and created special status which enable companies to receive financial and non financial incentives:

- Free industrial zones: manufacturing companies located in FIZs are entitled to duty free imports on various commodities needed for manufacturing process (e.g. raw material, parts or machinery and equipment). Enterprises can benefit from relaxed foreign ownership and can repatriate funds with no currency restriction; and
- Licenced Manufacturing Warehouses: status given to companies' manufacturing facilities which enables them to receive nearly the same incentives as if they were located in a FIZ.

In addition, Malaysia launched in 2017 the Digital Free Trade Zone (DFTZ). This physical and virtual zone aims to increase Malaysian capabilities in cross-border e-commerce and should prove beneficial to the country's manufacturing companies. It especially focuses on:

- Facilitating the export process for SMEs; and
- Increasing the visibility and accessibility to Malaysian manufacturers, enabling global marketplaces to source from them.

Locations of the Major FIZs in Malaysia[4]



Bayan Lepas

A hi-tech manufacturing area nicknamed “Silicon Valley of the East”. It hosts companies such as Dell, Motorolla or Bosch.

Kulim Hi-Tech Park

Zone catered for hi-tech manufacturing companies, and for enterprises wishing to carry out R&D.

Hulu Klang

Quite established electronics manufacturing zone.

Port Klang

A commercial and industrial zone providing manufacturing facilities and multiple logistics distribution solutions.

Sungai Way

Zone tailored for manufacturing companies engaging in electronics.

Batu Berendam

The zone hosts companies manufacturing electronics and micro-electronics products.

Port of Tanjung Pelepas

Zone tailored for manufacturing activates in light, medium industries such as food processing or packaging. It also offers, logistics, warehousing, and distribution solutions.

Pasir Gudang

Zone located near Johor Port, hosting companies in the petrochemical and logistics industries.

This map is for illustrative purposes only, and does not imply official endorsement or acceptance of any boundaries and/or names.

Foreign Direct Investment (FDI)[5]

In 2018, Malaysia recorded net FDI inflows of around USD 7.9 billion (MYR 32.6 billion). Asia was the leading contributor with a 45% share and within this region, Hong Kong was the top investor (but nearly all of its investments were directed at the service industry). In the country, financial services, insurance, wholesale and retail trade were the sectors that attracted the most FDI. However, when compared with 2017 the country received 19% less FDI (USD 9.8 billion in 2017). According to the Department of Statistics Malaysia, this drop was due to lower investments in the mining and quarrying sector.

Cost of Usage[6]

The price of land (for both rent and sale) in industrial estates varies from one site to another depending on factors such as location, provision of utilities, transportation links as well as proximity and access to raw materials. For more details on the cost of industrial land or ready built factory, please refer to Appendices 2 and 3.

As Malaysia offers various specialised industrial parks, it is important for an investor to select a location that best fits its needs. Indeed, parks catering to specific industry will be likely to charge a premium compared to non-specialised parks, due to the availability of specialised infrastructure. For example, Kulim Hi-Tech Park is likely to charge higher prices due to the availability of top notch R&D infrastructure and the availability of skilled workforce.

In addition to the land cost and facilities rent cost, industrial parks generally charge various fees. Investors can expect to pay domestic waste fees, maintenance fees, general fees and access pass fees.

Outlook[7,8]

According to the Malaysian Investment Development Authority (MIDA), new industrial parks equipped with world-class infrastructure in electricity and water supplies, telecommunications, and with privileged access to national transportation networks are continuously being built by private and public developers. For examples, the Smart Industrial Center, a new industrial estates located in the state of Melaka (along the Strait of Malacca), opened its doors in June 2019. The park has already attracted two Japanese firms: an electronic manufacturer, and a local metal components maker. Total investment in the estate should amount to USD 144 million.

This example is very much in line with the Malaysian government strategy to move the country up the manufacturing value chain thanks to knowledge transfer. The Mahathir administration is implementing the Industry 4WRD policy which focuses on pushing domestic companies to adopt Industry 4.0 technologies (especially automation) by collaborating with foreign investors. In addition, the government is also pushing industrial estates to upgrade their facilities to meet new needs. According to the Deputy Minister of International Trade and Industry “foreign investors are becoming more demanding as they require not only good infrastructure for the manufacturing park but also the amenities within the self-contained township and eco-friendly features of international standards”.

Therefore, park developers are asked to develop the next generation of industrial estates to attract and cater for the next generation of industries. Capturing high quality investments is key to Malaysia’s economic growth.

B. Land or Building for the Major Industrial Parks or Zones[9,10]

Availability for Foreign Ownership and Costs

Foreigners are allowed to rent or buy industrial lands in Malaysia if they get the consent from the state authorities (i.e. not the federal government). However, there are restrictions in some states. For example the Selangor state divides its territory into three zones for which different rules apply. For land located in Zone 1 (Petaling, Gombak, Hulu Langat, Sepang and Klang) and Zone 2 (Kuala Selangor and Kuala Langat), foreigners cannot buy industrial land that costs less than MYR 3 million (around USD 730,000). For Zone 3 (Hulu Selangor and Sabak Bernam), investors can only buy strata properties.

Application Procedures for Business Operation In FIZ

Companies wishing to operate in FIZ need to submit their applications directly to the appropriate zone authority. Below is an example of the steps to be taken in order to register in the Port Klang FIZ.

Investors can apply by filling out the required forms either offline or online. Upon receipt of the business licence, investors can immediately take over the facilities. Investors building their own customised facility in the FIZ can utilise some zone's amenities during the construction period in order to prepare their manufacturing operations.

The normal timeline for receiving all necessary documents to operate in the Port Klang FIZ is as follows:

Business License	Work Permits	Company Registration	Export Permit	Import Permit
1 week	2 weeks	2 days	1 day	1 day

II. Potential Infrastructure Shortfall[11,12]

Overall, Malaysia has moderately established infrastructure. In the World Economic Forum's 2018 Competitiveness Report, Malaysia ranked 32nd out of 140 countries. The country came second when compared with other ASEAN countries, only behind Singapore (1st worldwide). However, Malaysian infrastructure has room for improvement:

- Road connectivity is very poor and railroad density is only average (128th in the road connectivity index criteria, 59th in railroad density criteria); and
- People are exposed to unsafe drinking water, and the water supply is also not highly reliable (69th in exposure to unsafe drinking water, 50th in reliability of water supply).

In addition, Malaysia's infrastructure development is facing major political hurdles. Since the new prime minister Mahathir took office in 2018, he has put a number of projects on hold in an effort to cut the national debt, and to review whether the initiatives are beneficial to the country's economy. Overall, the government estimates that it could save USD 50 billion (i.e. one-fifth of the national debt) by scrapping major infrastructure projects. Below are a few examples of main initiatives that are currently suspended by the government:

- The USD 17 billion high-speed rail project between Kuala Lumpur and Singapore which was expected to start operation in 2026.
- A USD 14 billion joint rail project with Chinese partners, aiming to connect the Strait of Malacca to the eastern Thai border, which has access to the South China Sea.

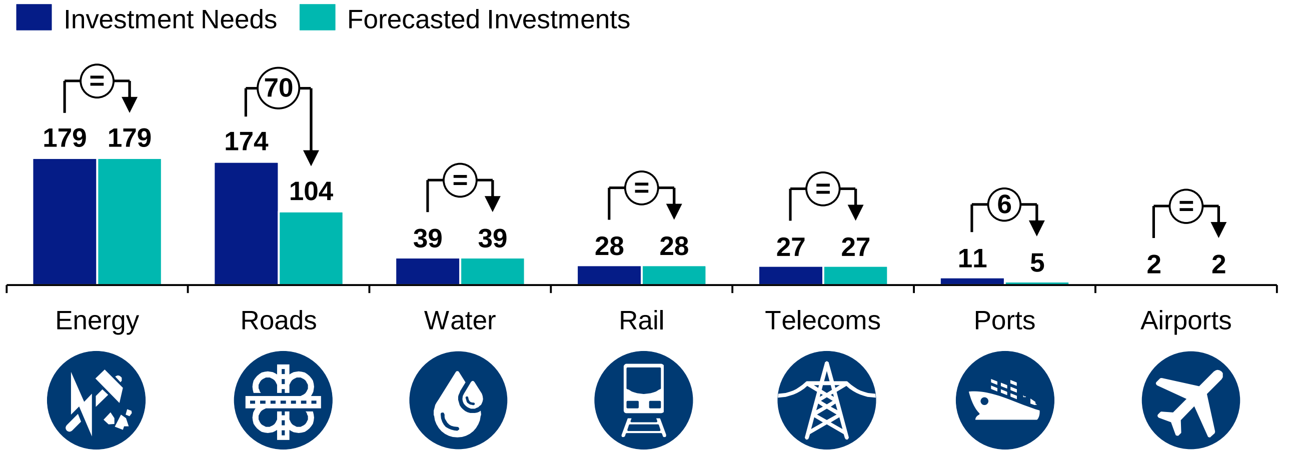
III. *Latest and Upcoming Major Local Infrastructure Projects and Spending*[13,14]

This section highlights the major infrastructure developments in Malaysia. Please refer to Appendix 4 for a comprehensive list of projects.

Despite the government announcing cuts in public spending on infrastructure, some major development projects are still ongoing. In addition, according to Malaysia's Economic Outlook 2019, private sector investments should increase, therefore remaining a key economic growth driver and softening the effects of lower public spending.

From 2016 to 2040, around USD 460 billion will be needed to upgrade or develop new infrastructure in Malaysia (see chart below for breakdown by sector). Over the period it is forecasted that the country's public and private sectors will invest USD 384 billion, therefore covering more than 80% of the country's needs. However, some sectors will suffer from investment gaps: additional investments of around USD 70 billion and USD 6 billion for roads and ports will be needed respectively.

Malaysia's Infrastructure Investment Needs 2016-2040 per Sector (USD billion)



IV. *Availability of Natural Resources*

Natural Resources	Details
Natural Vegetation, Forests and Timber	• Almost 2/3 of Malaysia is forest. Many forests are heavily exploited for timber • The primary tree species in Malaysia are from the Dipterocarpaceae family • Threats to Malaysian forests include: illegal logging and deforestation for pal oil production
Agriculture	• Agriculture sector represents around 8.8% of Malaysian GDP • The dominant crops in the country are palm oil and rubber • Malaysia is one of the world's largest exporter of palm oil
Fishing/ Aquaculture	• Fishing accounted for 10.5% of the total agricultural GDP in 2017 • Malaysia's fisheries include marine capture, aquaculture and inland capture • Malaysia's most abundant seafood includes: seaweed, cockles, mussels, tilapia, catfish, shrimps
Livestock	• Livestock represented 11.4% of the agricultural GDP in 2017 • Non-ruminant (chicken, duck, pig and eggs) large-scale production and contributes more than 80% of livestock industry • Poultry and eggs dominate the non-ruminant category and is self sufficient
Water Resources	• Endowed with abundant water resources, facing increasing demand • Agriculture sector uses approximately 76% of all available water of which 90% is used for rice production (in 2014) • 98.2% of population have access to drinking water
Minerals	• Minerals found in Malaysia: tin, copper, iron ore, bauxite, monasite, ilmenite, struverite, zircon and silica • Value of major minerals produced during 2016 was around MYR 6.3 billion
Coal, Oil and Fossil Fuels	• Fossil fuel energy consumption represented 96.6% of the total Malaysian energy consumption in 2014 • Petronas (state owned oil and gas company) holds most of the country's petroleum resources • Coal is the most used fossil fuel in the country's energy generation
Renewable Energy	• Malaysia has set a 20% goal of clean energy generation by 2030 • Geographic location is advantageous for solar and hydro energy • Petronas has expressed interest to diversify into renewable energy

Source:

[1] *Developed Industrial Parks, Malaysian Investment Development Authority (MIDA)*

[2.] *Kulim Hi-Tech park homepage*

[3] *Digital Free Trade Zone (DFTZ), Malaysia External Trade Development Corporation*

[4] *List of Industrial Free Trade Zones in Malaysia, Offshore Labuan*

[5] *Malaysia posts net FDI inflows of RM32.6b in 2018, MIDA, 2019*

[6] *Set-up Costs, Port Klang Free Zone*

[7] *Malaysia's newest industrial park draws Japanese investment, Nikkei Asian Review*

[8] *Industrial park developers to step up their game, Focus Malaysia, 2018*

[9] *Foreign ownership of land, clear policy needed, New Strait Times, 2017*

[10] *Basic application process, Port Klang Free Zone*

[11] *2018 Competitiveness Report, World Economic Forum*

[12] *Malaysia PM Mahathir Mohamad announces plan to scrap high-speed rail project with Singapore, South China Morning Post, 2018*

[13] *Malaysia Macroeconomic Outlook*

[14] *Forecasting infrastructure investment needs and gaps, G-20, 2017*

8. Types of Industries Encouraged by the Local Government

Executive Summary

Malaysia is generally open to foreign investments, with incentive programmes supporting many industries, and few prohibited sectors. The Malaysian government aims to elevate the country to a high income nation by 2020 with the help of domestic and foreign investments.

Malaysia provides incentives such as pioneer status and investment tax allowance to various industries to attract foreign direct investment (FDI). Overall, there are only a few sectors that are strictly prohibited for foreigners. Moreover, several sectors require government approval or a minimum ownership by the indigenous ethnic groups, such as distributive trading including wholesalers, retailers or franchise practitioners.

8. Types of Industries Encouraged by the Local Government

I. List of Government Programmes Encouraging Specific Industries

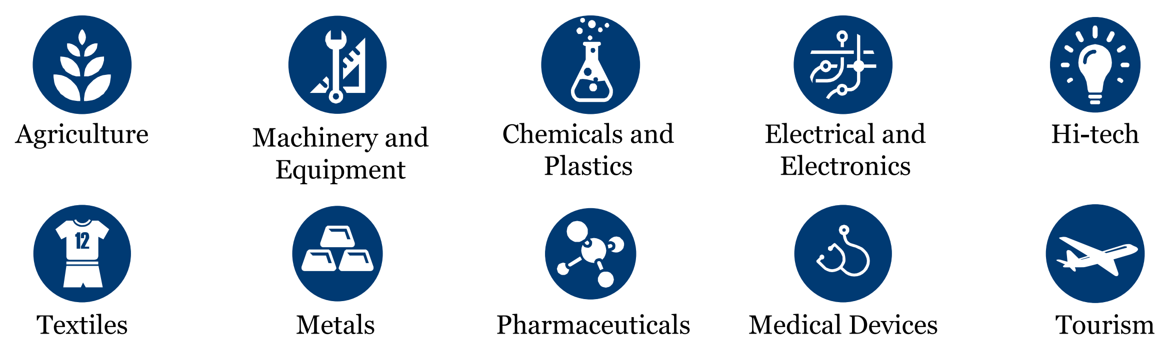
The main authority responsible for promoting and managing investments in Malaysia is the Malaysian Investment Development Authority (MIDA). Aside from the general incentives provided by the MIDA under the Promotion of Investments Act 1986, the Malaysian government also provides several programmes and initiatives to encourage local and foreign investments. The two main programmes are the Economic Transformation Programme (ETP), and the National Policy on Industry 4.0 (Industry4WRD).

Malaysian Investment Development Authority (MIDA)[1]

The MIDA provides general investment incentives for both the manufacturing and services sector. The two main initiatives under the MIDA are the pioneer status, and the investment tax allowance incentives. The pioneer status mainly provides income tax exemption, while the investment tax allowance allows a business to offset capital expenditures against income for tax purposes.

Both the manufacturing and services sectors are eligible for either the pioneer status or investment tax allowance incentives. These two incentives are mutually exclusive, and a business can only benefit from one of the two incentives at a time.

In 2012, the MIDA published a general list of encouraged sectors and products. Each industry may have its own specific criteria that businesses have to meet in order to qualify for the incentives. The list of manufacturing industries that are eligible for these incentives is extensive, and includes but is not limited to, the following industries:



Small and medium-sized companies also have an additional list of activities that are eligible for incentives. For a full list of supported industries and subindustries, please refer to the MIDA (www.mida.gov.my/home/promoted-activities-and-products-for-manufacturing-sector/posts)

The MIDA has also launched the i-Services Portal on its official website. This service aims to connect businesses with local service providers, to assist domestic and foreign investors, and help promote the domestic services sector.

Economic Transformation Programme (ETP)[2]

The ETP was introduced in 2010, aiming to transform Malaysia into a high income nation in 2020 by boosting investment. However, according to the World Bank, Malaysia is only expected to reach this target by 2024. The ETP focuses on 12 National Key Economic Areas (NKEAs), which represent economic sectors that potentially contribute to a quantifiable amount of economic growth in Malaysia. The 12 NKEAs include 11 industries and one geographic area:

- Electrical and Electronics
- Communications and Infrastructure
- Financial Services
- Business Services
- Wholesale and Retail
- Oil, Gas and Energy
- Agriculture
- Palm Oil
- Healthcare
- Education
- Tourism
- Greater Kuala Lumpur/Klang Valley

The National Policy on Industry 4.0 (Industry4WRD)[3]

The National Policy on Industry 4.0 was launched in 2018 to foster digital transformation of the manufacturing sector and relevant services in Malaysia. The policy focuses on the manufacturing sector, as it contributes significantly to the Malaysia economy. Although over 98% of companies in the sector are small and medium-sized enterprises, the policy aims to elevate these companies to equip them with the potential to be global exporters.

The policy encourages the integration of big data, artificial intelligence, cloud computing, internet of things (IoT), and robotics, among other advanced technologies with existing industries in Malaysia. The five focus sectors of Industry4WRD include:

- Electrical and Electronics
- Machinery and Equipment
- Chemical
- Medical Devices
- Aerospace

These focus sectors are considered to be the leading industries in Malaysia, with high potential growth. As the focus sectors also influence many other supporting industries, growth in the focus sectors will help to drive improvements in other industries in the country.

Other sectors that are also promoted in Industry4WRD include the automotive, transport, textile, pharmaceuticals, metal, food processing and service industries.

II. List of Business Activities that Foreign Participation may be Prohibited or Restricted from[4,5]

In Malaysia, there are limits to foreign corporate ownership in certain sectors. The cap is set at 70% of equity. A minimum of 30% equity must be held by the indigenous ethic groups (e.g. Bumiputera).

Currently, the 70% limit restriction only applies in strategic economic sectors, including:

- Aviation;
- Freight forwarding;
- Shipping;
- Water; and
- Oil and gas.

In addition, foreign investments in certain industries are subject to different participation restrictions imposed by the relevant authorities. For the following sectors, the permissible foreign shareholding ranges from 30-100%:

- Banking;
- Insurance;
- Takaful operators (a type of Islamic insurance); and
- Stock brokerage and fund management.

Distributive trade is also regulated in Malaysia by the Ministry of Domestic Trade and Consumer Affairs (MDTCA). The MDTCA has issued the Guidelines on Foreign Participation in the Distributive Trade Services to regulate the foreign participation. Distributive traders include wholesalers, retailers, franchise practitioners, direct sellers and suppliers who channel their goods down the supply chain to intermediaries for resale or to end-users. The MDTCA also requests all foreign participations in distributive trade to obtain approval before conducting any activities. Under the guidelines, foreign participation is defined as any party that comprises:

1) An individual who is not Malaysian (including permanent citizen);
2) A foreign company or institutions; and
3) A local company where the parties as stated in item 1) or 2) above holds more than 50% of voting rights.

List of Prohibited or Restricted Activities and Subsectors Within Distributive Trade

Status	List of Prohibited or Restricted Industries
Completely Prohibited	• Supermarket/mini market (<3,000 square meters sales floor area); • Provision shop/general vendor; • Convenience store (that opens for business for 24 hours); • News agent and miscellaneous goods store; • Medical hall (inclined towards traditional alternative medicines plus general dry foodstuff); • Fuel stations (with or without convenience store); • Permanent wet market store; • Permanent pavement store; • National Strategic Interest; and • Textile, restaurant (non-exclusive), bistro, jewellery shops.
Approval Required	• Market research and public opinion polling services; • Management consulting services; • Other business services; • Repair services (metal, machinery and equipment); • Other land transport service; • Supporting services for road transport; • Building-cleaning services; • Photographic services; • Leasing service concerning machinery and equipment; and • Real estate service.
• Requires at least 30% equity participation by Bumiputera • Appoint Bumiputera directors	• All distributive trade companies except departmental stores and specialty stores

In addition, the Industrial Coordination Act 1975 regulates the manufacturing activities in Malaysia and requires manufacturing companies to be licensed by The Ministry of International Trade and Industry. Manufacturing enterprises are exempted from getting a license if 1) their shareholders' fund is smaller than MYR 2.5 million (around USD 0.6 million), and if 2) they have less than 75 full-time paid employees.

The Petroleum Regulations 1974 are the primary legislation governing petroleum activities in Malaysia. Any company participating in the upstream sector of the oil and gas industry have to 1) obtain a license from Petroliam Nasional Berhad (PETRONAS), and 2) comply with the minimum Bumiputera participation requirements (depending on the type of service).

Source:

[1] *Invest in Malaysia, Malaysian Investment Development Authority*

[2] *Economic Transformation Programme, Prime Minister's Department*

[3] *National Policy on Industry 4.0, Ministry of International Trade and Industry*

[4] *Malaysia – Essential Tips for successful investment, Clifford Chance*

[5] *Guide to doing business in Malaysia, Christopher & Lee Ong 2019*

9. Key Government Incentives

Executive Summary

The primary foreign investment initiatives in Malaysia are the Economic Transformation Programme (ETP) and the National Policy on Industry 4.0 (Industry4WRD), each with different set of criteria for eligibility and investment incentives.

Malaysia also has five Economic Corridors and other special zones, for example the Free Industrial Zones (FIZs), Digital Free Trade Zone, and Multimedia Super Corridor, designated to encourage growth in certain locations and industry sectors in Malaysia.

9. Key Government Incentives

I. *Eligibility on Incentive Programmes for Foreign Investments*[1]

In Malaysia, investment incentives are mainly provided by the Malaysian Investment Development Authority (MIDA). There are two major types of incentives available: the Pioneer Status (PS) and the Investment Tax Allowance (ITA). Companies are eligible for the incentives if they are involved in the promoted industries, such as manufacturing, agricultural, hotel, and tourism, or if they participate in a promoted activity or produce a promoted product.

Pioneer Status (PS)

The PS grants companies corporate income tax (CIT) exemption. All applications for PS incentives can be made to the MIDA. In general, companies are exempted from CIT on 70% of their statutory income (SI) for five years. The remaining 30% is taxed at the prevailing CIT rate of 24%. However, specific projects may be eligible for exemption on a larger % of SI, or exemptions for a longer period. Examples of PS incentives for specific projects are shown below.

Projects	Incentive	Tax Relief Period
Projects of national and strategic importance involving heavy capital investment and high technology	100% of SI	5+5 years
High-technology companies engaged in areas of new and emerging technologies	100% of SI	5 years
Companies manufacturing specialised machinery and equipment	100% of SI	10 years
Existing locally owned companies reinvesting in production of heavy machinery, specialised machinery, and equipment.	70% of increased SI	5 years
New companies investing and existing companies reinvesting in utilising oil palm biomass to produce value-added products	100% of SI	10 years

This list of projects is not comprehensive. For a detailed list of possible PS incentives for a specific project, please refer to the MIDA's official website (www.mida.gov.my/home/incentives-in-manufacturing-sector/posts).

Investment Tax Allowance (ITA)

An ITA grants companies tax allowances. All applications for ITA incentives can be made to MIDA. In general, the ITA is granted on 60% of qualifying capital expenditure (QCE) incurred for a period of five years (to be utilised against 70% of the SI). However, specific projects may be eligible for exemption on a larger percentage of QCE. Examples of ITA incentives for specific projects are shown below.

Projects	Incentive	Tax Relief Period
Projects of national and strategic importance involving heavy capital investment and high technology	100% of QCE	5 years
High-technology companies engaged in areas of new and emerging technologies	60% of QCE (against 100% of SI)	5 years
Companies manufacturing specialised machinery and equipment	100% of QCE	5 years
Existing locally owned companies reinvesting in the production of heavy machinery, specialised machinery, and equipment	60% of QCE (against 7% of SI)	5 years
New companies investing and existing companies reinvesting in utilising oil palm biomass to produce value-added products	100% of QCE	5 years

This list of projects is not comprehensive. For a detailed list of possible ITA incentives for a specific project, please refer to the MIDA's official website (www.mida.gov.my/home/incentives-in-manufacturing-sector/posts).

III. Other Government Support Funding Schemes, Including Both Local and Foreign Investments

Other than the PS and ITA investment incentives under the MIDA, the Malaysian government also has other funding programs that provide incentives to both domestic and foreign investors. The two main initiatives are the Economic Transformation Programme (ETP), and the National Policy on Industry 4.0 (Industry4WRD).

The Economic Transformation Programme (ETP)[2]

Private investment is at the core of the ETP. A total of MRY 1.3 trillion (around USD 300 billion) is needed from the private sector to fund the 131 Entry Point Projects (EPP) identified in the ETP. To attract the investment needed to help drive the programme, the Malaysian government has provided numerous fiscal and non-fiscal incentives.

Fiscal Incentives

Businesses will need to apply and negotiate for the investment incentives with the MIDA and other agencies. Approval for investment incentives will be given on a case-by-case basis. The fiscal incentives will vary for different industries, and even for each project, depending on the negotiations. The table below provides some examples of possible incentives in different industries.

Incentive	Possible Incentive per Industry
Tax Credits and Tax Holidays	• Electrical and Electronics: tax exemption for pioneer silicon producers, wafer and cell producers • Healthcare: tax breaks for companies qualifying for Health Metropolis status • Agriculture: tax concession for companies settling in an integrated food park
Investment Tax Allowance	• Electrical and Electronics: tax allowance to upgrade packaging plants • Palm Oil: tax allowance for the acquisition of foreign oleo derivatives and food companies • Tourism: tax allowance for the construction of four-star and five-star hotels, upgrades and refurbishments
Non-tax Incentives	• Electrical and Electronics: research and development (R&D) and training grants for expansion • Agriculture: low-interest financing scheme for rural entrepreneurs • Education: funding for the construction or expansion of schools and training centres

Non-Fiscal Incentives

To sustainably develop the 131 EPPs, the Malaysian government intends to attract talents from overseas (e.g. overseas Malaysian or non-Malaysian). Some major efforts to attract foreign talents include: designing and implementing attractive expatriate packages (e.g. personal income tax incentives) or assisting expatriates with their work applications (e.g. visas, work permits). New immigration regulations intended to ease foreign talent acquisition will also attract foreign skilled workers. These are only some of the incentives provided through the ETP to investing businesses. The table below shows some possible incentives in certain industries that businesses may be eligible for.

Incentive	Possible Incentive per Industry
Simplified and Expedited Application Processes	• Electronics and Electrical: reduced processing time of work permits applications/renewal (between 2 weeks to a month) • Financial Services: online immigration applications and processing • Oil, Gas and Energy: shorter approval times to obtain/renew work and residence permits • Healthcare: shorter process for private hospital to hire foreign doctors, nurses and other healthcare personnel
Removal of Restrictive Immigration Policy	• Electronics and Electrical: automatic approval for foreign talents involved in value added tasks • Business Services: removal of restrictions on expatriates, provide one-year working visa to skilled foreign students

National Policy on Industry 4.0 (Industry4WRD)[3]

Previously, no specific financial support and incentives existed in the country to foster Industry 4.0 technology development (e.g. R&D, prototyping, testing, upgrading facilities). In order to foster investment and adoption of Industry 4.0 technologies, the Industry 4WRD policy includes the following objectives: create outcome based incentives (e.g tax incentives) and provide innovative financial products. As the policy is relatively new, accurate details on these incentives are not yet available. However, in 2019, the government pledges to allocate MYR 2 billion (around USD 480 million) under the Business Loan Guarantee Scheme via the Syarikat Jaminan Pembiayaan Perniagaan (SJPP), a wholly-owned company of the Minister of Finance, and MYR 3 billion (around USD 720 million) under the Industry Digitalisation Transformation Fund (which provides loans with subsidise interest rates of 2%) to accelerate the adoption of smart manufacturing.

Nevertheless, foreign investments/companies are not always eligible for these incentives. The SJPP only gives out funding and loans to majority Malaysian owned companies (i.e. company must be 51% owned by a Malaysian citizen). For more information and specific criteria, please refer to the SJPP website (www.sjpp.com.my/sjppv2e/index.php/services/2-interest-profit-rate-rebate-terms/eligibility-criteria-terms). Foreign majority owned companies are eligible to the Industry Digitalisation Transformation Fund, but will still need a minimum of 40% equity held by a Malaysian citizen. For more information regarding other specific criteria, please refer to the Industry Digitalisation Transformation Fund page on the Malaysia Development Bank website (www.bpmb.com.my/industry-digitalisation-transformation-fund).

III. Scope of Special Economic Zone Scheme and Geographical Location

Economic Corridors (ECs)[4]

In order to promote national economy regional development, the Malaysian government created five economic growth corridors in 2006. Each EC has its own managing authority, and is collectively managed under the MIDA. Therefore, businesses will need to apply for incentives with the specific managing authority of the EC they wish to participate in. Each EC also has its own specific promoted sectors that are eligible for the investment incentives. These ECs aim to promote domestic and foreign investments in the following regions:

1) Iskandar Malaysia in Southern Johor (IRDA);

2) Northern Corridor Economic Region (NCER);

3) East Coast Economic Region (ECER);

4) Sabah Development Corridor (SDC); and

5) Sarawak Corridor of Renewable Energy (SCORE).

Businesses in these areas will be eligible for the PS and ITA incentives under the MIDA, in addition to import duty and sales tax exemption. The periods that these incentives will be available for will differ in each economic corridor. The table below shows examples of incentives and the promoted industries in each economic corridor.

Promoted Industries and Investment Incentives Available in the Economic Corridors (Part 1/2)

Economic Corridors	Promoted Sectors	Examples of Incentives
IRDA	• ICT • Electrical & Electronic • Education • Financial Services • Food & Agro-processing • Healthcare • Logistics • Oil, Gas & Petrochemical • Tourism	1) Pioneer Status (PS): • Exemption for 5 years; 2) Investment Tax Allowance (ITA): • Available for 5 years; 3) Import duty and sales tax exemption on machinery and equipment used. For more details on incentives, please visit (iskandarmalaysia.com.my/).
NCER	• Agriculture • Bio-industries • Logistics • Manufacturing (Electrical & Electronics, and Machinery & Equipment) • Tourism • Services	1) Pioneer Status (PS): • Exemption for 5-15 years; 2) Investment Tax Allowance (ITA): • Available for 5-10 years; 3) Import duty and stamp duty exemption on machinery and equipment used. For more details on incentives, please visit (www.koridorutara.com.my)
ECER	• Agriculture • Manufacturing • Oil, Gas & Petrochemical • Tourism	1) Pioneer Status (PS): • Exemption for 10 years; 2) Investment Tax Allowance (ITA): • Available for 5 years; 3) Import duty and sales tax exemption on machinery and equipment used. For more details on incentives, please visit (www.ecerdc.com.my)
SDC	• Agriculture • Bio-industries • Tourism • Logistics	1) Pioneer Status (PS): • Exemption for 5-10 years; 2) Investment Tax Allowance (ITA): • Available for 5 years; 3) Import duty and sales tax exemption on machinery and equipment used. For more details on incentives, please visit: (www.sedia.com.my)

Promoted Industries and Investment Incentives Available in the Economic Corridors (Part 2/2)

Economic Corridors	Promoted Sectors	Examples of Incentives
SCORE	• Aluminum • Fishing & Aquaculture • Glass Industries • Marine • Oil-based Industries • Steel • Timber • Tourism	1) Pioneer Status (PS): • Exemption for 5 years; 2) All income of investors in SCORE is exempt from income tax for at least 5 years after the commencement of business. For more details on incentives, please visit: www.sarawakscore.com.my

Free Industrial Zones (FIZs)[5]

FIZs are export-focused zones that have been built to cater to export-oriented industries. Many manufacturers in Malaysia will choose to develop in FIZs to take advantage of the readily available infrastructure in the zones. FIZs are developed by the state governments.

The main incentive provided to business in FIZs is exemption on import duties for raw materials, components and parts, machinery, and equipment used in the manufacturing process.

If a business is not located in an FIZ, they can set up Licensed Manufacturing Warehouses (LMW), which can also provide the company with the same investment incentives. However, they will not be able to take advantage of the infrastructure provided in the FIZs.

Digital Free Trade Zone (DFTZ)[6]

The DFTZ was launched in 2017 with Mainland China's Alibaba Group. The DFTZ is an initiative to facilitate seamless cross-border e-commerce activities and develop an internet ecosystem in the country that drives innovation in e-commerce and digital economy. The DFTZ does not have customised incentives but businesses operating in the zone are advised to leverage existing applicable regulatory framework and incentives.

Multimedia Super Corridor (MSC)[7]

The MSC is a special economic zone designated by the Malaysian government to promote information and communications technology (ICT) and enable both domestic and foreign companies to reach new technological frontiers. The MSC covers an area of 15 kilometres wide and 50 kilometres long, starting from the Kuala Lumpur City Centre and extending down south to the Kuala Lumpur International Airport. Companies eligible for MSC status may be able to receive the following investment incentives:

- PS or ITA from the MIDA;
- Freedom to source capital and borrow funds globally;
- Duty-free importation of multimedia equipment; and
- Eligibility for R&D grants (for majority Malaysian-owned MSC Malaysia status companies).

For more details on the MSC, please visit MIDA homepage (www.mida.gov.my)

Source:

[1] Invest in Malaysia, Malaysian Investment Development Authority

[2] Economic Transformation Programme, Performance Management and Delivery Unit

[3] National Policy on Industry 4.0, Ministry of International Trade and Industry, 2018

[4] Malaysia Economic Corridors, Malaysian Investment Development Authority

[5] Developed Industrial Parks, Malaysian Investment Development Authority

[6] Guide to doing business in Malaysia, Christopher & Lee Ong, 2019

[7] Budget 2019 Multimedia Super Corridor, The Malaysian Institute of Certified Public Accountants,

10. Environmental Requirements

Executive Summary

In Malaysia, the Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC) is the main body responsible for environmental policies and standards setting, and the Department of Environment (DOE) under it is responsible for the prevention, control and abatement of pollution through the enforcement of the Environmental Quality Act and its subsidiary legislation.

Business with factories operating in Malaysia may encounter environmental hurdles or problems, such as historical pollution problems, license requirements, and environmental pollution problems.

There are environmental organisations and agencies available in Malaysia that can provide relevant environmental supporting services to those companies requiring assistances.

10. Environmental Requirements

I. Environmental Laws and Regulations in Malaysia

In Malaysia, the Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC) is the main body responsible for environmental policies and standards setting. The MESTECC is also responsible for sustainable energy, green technology, water supply, sewerage treatment, renewable energy, water purification, air purification, environmental remediation, solid waste management, energy conservation and sustainable engineering.

The Government of Malaysia has passed important environmental laws and policies such as the Environmental Quality Act in 1974 and related regulations in 1989, which together make up the primary environmental law in Malaysia. Other important policies include the Environmental Quality Order 1989, the Protection of Wildlife Act, the National Forestry Act 1984, the Fisheries Act 1985, the National Parks Act 1980, and the International Environmental Laws, etc.

A. The Main Environmental Protection Administrations in Malaysia

Ministry of Energy, Science, Technology, Environment and Climate Change (MESTECC)[1]

In 2018, the Ministry of Science, Technology and Innovation (MOSTI), the Green Technology and Energy related departments from the Ministry of Energy, Green Technology and Water (KeTTHA), as well as the Climate Change and Environment related departments from the Ministry of Natural Resources and Environment, were restructured to form the MESTECC.

Department of Environment (DOE)[2]

The Department of Environment is a department under the MESTECC. Established in 1975, the DOE of Malaysia is responsible for the prevention, control, and abatement of pollution in the country through the enforcement of the Environmental Quality Act of 1974, and supporting legislation.

The National Policy on the Environment (Dasar Alam Sekitar Negara, DASN) was established by the DOE to encourage environmentally sustainable development through the following objectives:

- Achieve a clean, safe, and healthy environment for future generations;
- Conserve the country's cultural and natural heritage; and
- Encourage sustainable production methods and lifestyles.

DASN aims to encourage environmental considerations in decision-making, development, and operations of businesses. This is done through the 8 principles listed under DASN:

1) Stewardship of the Environment;
2) Conservation of Nature's Vitality and Diversity;
3) Continuous Improvement in the Quality of the Environment;
4) Sustainable Use of Natural Resources;
5) Integrated Decision-Making;
6) Role of the Private Sector;
7) Commitment and Accountability; and
8) Active Participation in the International Community.

B. The Main Environmental Legislation in Malaysia

The Environmental Quality Act of 1974 is the primary law on environmental protection in Malaysia. Malaysia has also adopted Environmental Impact Assessment (EIA) Procedure and Requirements. The Malaysian government is currently looking to replace the Environmental Quality Act with a new act giving greater environmental enforcement powers, and allow for stricter punishments to polluters. The EIA processes will also be updated in the new act.

Environmental Quality Act[3]

The Environmental Quality Act was enacted in 1974 to control, manage, and punish businesses and individuals who pollute the environment in Malaysia. It also creates the Environmental Quality Council to manage pollution in the country.

Pollution Control

No person shall, unless licensed, emit or discharge any pollutant or noise into the atmosphere, soil or surface of any land, any inland water in contravention of the acceptable conditions specified in the Act.

Penalties

Any company/person that violates or fails to comply with requirements and measures set out under the Act will be punished by a fine and/or imprisonment. For different offence of pollution, there are different penalties regulated in the Act. In cases where the offender to be punished is a juristic person, the directors, managers, or persons in charge of the business operation causing the pollution are jointly liable and can be punished with the same penalties. For the detailed information about penalties, please refer to Part IV (Prohibition and Control of Pollution) of the Act.

Environmental Impact Assessment (EIA) Procedure and Requirements in Malaysia[4]

EIA has been mandatory for prescribed projects since 1 April 1989. The EIA Procedure summarises the EIA process as an aid to environmental planning for new projects or expansion of existing ones.

There are two EIA processes in Malaysia: the Preliminary EIA and the Detailed EIA. The EIA Procedure provides the list of prescribed activities which are subjected to Preliminary EIA, such as chemicals and shipyards industries. Compared with activities subjected to Preliminary EIA, the Detailed EIA is undertaken for projects with major/significant impacts to the environment, such as coal-fired power plants, construction of dams, iron and steel industry etc. The EIA Procedure also provides a list of activities which requires a Detailed EIA.

Other Regulations Against Pollutions

Malaysia has also issued environmental laws such as Solid Waste and Public Cleansing Management Act, Sewerage Services Act, etc. to regulate the corresponding services. In addition, emissions and disposal of air and noise pollution, water pollution, soil pollution, wastes and hazardous materials are clearly regulated by the relevant laws, regulations, and standards. There are corresponding penalties for violation of such laws and regulations.

A detailed list of environmental laws and regulations in Malaysia can be found in Appendix 5.

C. Main Environmental Related Joint Announcements and Statements which Mainland China and HK Have Issued with Malaysia

The Chinese Ministry of Foreign Affairs has issued a joint statement between the People's Republic of China and Malaysia regarding a Comprehensive Strategic Partnership, strengthening cooperation between Mainland China and Malaysia. The statement encourages cooperation in environment related fields.

In addition, there are also a series of statements and plans to further enhance the environmental cooperation between Mainland China and the ASEAN that will affect Malaysia.

Main Environmental-Related Joint Announcements and Statements[5,6,7]

Statements	Impact	Clause
Joint Statement by the Government of the People's Republic of China and the Government of Malaysia on the Framework for Future Bilateral Cooperation	Encourages cooperation in environmental management, sustainable development, clean technology, environmental education, environmental awareness and environmental protection.	Clause 4.10
Joint Statement of China and ASEAN Leaders on Sustainable Development	Encourage cooperation in conservation of biodiversity and the environment, in clean production, and in environmental awareness.	Clauses 6 & 8
China-ASEAN Environmental Protection Cooperation Strategy 2016-2020	Establishes the China-ASEAN Environmental Protection Cooperation Centre to enhance environmental cooperation. It also improves the sharing of knowledge and experiences, and encourages factories to comply with the environmental laws and regulations.	Clauses 45, 47, 53, 54

D. The Main Environmental Permits in Malaysia

Malaysia has enacted laws and announced numerous environmental regulations, specifying which environmental permits are required.

Environmental Impact Assessment

An EIA is required for prescribed activities in Malaysia, and is critical for the establishment of a factory.

Environmental Licenses[8]

The following licenses are required by the Environmental Quality Act, 1974:

- License to emit or discharge wastes into the atmosphere in contravention of the acceptable conditions specified under the environmental standards;
- License to emit, cause or permit to be emitted any noise greater in volume, intensity, or quality in contravention of the acceptable conditions specified under the environmental standards;
- License to pollute, cause or permit to be polluted any soil or surface of any land in contravention of the acceptable conditions specified under the environmental standards;
- License to emit, discharge, or deposit any wastes into any inland waters in contravention of the acceptable conditions specified under the environmental standards; and
- License to discharge wastes into Malaysian waters.

II. *Environmental Situations in Malaysia*

A. Hurdles or Problems Encountered and Resolutions

Before Land Acquisition	Pre-construction Period		Operation Period
Historical Pollution Issues	**License Requirements**		**Environmental Pollution Issues**
Environmental Due Diligence (EDD) checks for existing soil and groundwater pollution, which can help investors avoid liability from historical pollution	EIA	Environmental Licenses	Each industry has different characteristics of pollutants, and will require appropriate monitoring and environmental protection equipment.

<u>Before Land Acquisition: Historical Pollution Issues</u>

Soil and groundwater of the targeted land may have been polluted by previous land users. Companies may be impacted by the environmental risks caused by historical pollution if such issues are not identified or the responsibilities are not clarified.

Resolutions

Environmental Due Diligence (EDD)

EDD can help with systematically identifying the environmental risks and responsibilities before corporate investment, acquisitions and mergers, or expansion of the site. An EDD will typically take around two months to complete, but may not be required for every project. The processes are as follows:

- Supporting agency selection: There are no license requirements from local environmental departments on third party agencies providing EDD services. Companies may hire a capable third party service to conduct any EDD necessary;
- Phase I Environmental Site Assessment: The EDD provider will conduct a limited environmental, health and safety compliance assessment supporting the due diligence for the industrial transaction;
- Phase II Environmental Site Assessment: Based on the results from Phase I, the EDD provider will conduct the actual sampling, monitoring or testing of the soil, air, groundwater, and building materials, in order to evaluate the potential presence of contaminants in the scope;
- Results: The EDD provider will identify significant potential environmental risks in a report.

EDD Case

A global manufacturing company appointed SLP Environmental consultants to conduct an Environmental Site Assessment, as a part of the overall transaction due diligence process. The primary objective of the combined study was to determine the contamination status of soil and groundwater at the property pre-acquisition.

The laboratory test results were compared with Malaysian and US EPA Tier 1 Screening Values to determine the contamination status of the property. The Environmental Site Assessment report provided a full record of the works with clear conclusions, recommendations and an overall environmental risk rating for the subject project.

For a list of organisations/agencies providing EDD services in Malaysia, please refer to Section 10.III.A.

Pre-construction Period: Environmental Impact Assessment (EIA)[9]

The local environmental laws have stipulated the activities of industries which are required to conduct an EIA based on the local environmental laws, and these businesses are not allowed to operate without an EIA.

Resolutions

EIA

According to the EIA Procedure and Requirements in Malaysia, EIA reports must be prepared by competent individuals who are registered with DOE under the EIA Consultant Registration Scheme. As the Detailed EIA is less relevant to the key industries, only the Preliminary EIA process will be discussed below.

EIA Processes:

- Supporting agency selection: Hiring a qualified third party to conduct an EIA, which must ensure that all EIA team members are registered with DOE;
- EIA report compilation: Typically lasts one to two months depending on the size and scope of activities/projects;
- Submission: Submitting 12 copies to the DOE State Office and three copies plus a softcopy of the Executive Summary to the DOE Headquarters;
- Review and Approval: The Technical Committee Meeting/Review at DOE State Office will review the report and give a final approval typically in five weeks.

For the key industries and related activities, businesses in the chemical production industry with a designed production capacity above 100 tonnes/day are subjected to a Preliminary EIA.

EIA Case

In 2013, a global manufacturer of chemicals planned to setup a chemical factory in East Coast Malaysia. They appointed Geoscience Ireland to conduct a pre-development EIA. The EIA was designed to document the existing (pre-development) environmental and ecological conditions of the proposed factory site and adjacent habitats, also to enable the design team to make informed decisions regarding development projects and processes to minimize the short term, constructional impacts as well as the long term operational ecological impacts.

This involved assessment of terrestrial and wetland/mangrove habitats as well as the baseline marine environmental survey associated with the proposed marine wastewater discharge pipeline. This program has demonstrated compliance with the "minimal environmental impact" clause of the License to Operate Agreement and has enabled the factory to continue operating for over 20 years.

For a list of organisations/agencies providing EIA supporting services in Malaysia, please refer to Section 10.III.B.

Pre-construction Period: Environmental Licenses

All factories who emit, discharge, or deposit waste or noise to the environment in contravention of the acceptable conditions under the environmental standards are required to have the relevant environmental licenses. Otherwise, these businesses will not be allowed to operate.

Resolutions

Environmental Licenses

- Related department: DOE;
- Application forms: The application forms can be downloaded from the website of DOE (www.doe.gov.my).
- Duration and renewal: A license will last for one year, unless otherwise specified. Licenses must be renewed 3-4 months before the date of expiration.

Operation Period: Environmental Pollution Problems

During the operation period, company may face environmental pollution problems resulting from non-compliant environmental management or equipment failure:

- Wastewater: Excessive pollutants in wastewater causing soil or groundwater pollution;
- Air emission: Industrial exhaust emissions that are not in compliance, causing air pollution;
- Hazardous waste disposal: Non-compliant disposal of hazardous wastes leading to soil or groundwater contamination, resulting in subsequent penalties; and
- Noise pollution: Noise pollution caused by the operation of machinery and equipment.

Resolutions

Environmental Monitoring

The DOE is mainly responsible for the control of environmental pollution problems. In the case of such problems, the following measures can be taken:

- Hiring third party service providers to conduct regular monitoring or to help with disposal of hazardous waste;
- Enhancing environmental awareness of related workers;
- Improving relevant equipment in use; and
- Optimising the manufacturing process.

For a list of organisations/agencies providing environmental monitoring and related services in Malaysia, please refer to Section 10.III.C, D and E.

Environmental Pollution Case

As the soil pollution from discharging hazardous waste, a battery factory in Jenjarom, Kuala Langat was ordered to relocate its site and perform the soil remediation. Consequently the factory has to bear all the costs incurred.

In addition, the factory had also been issued six compound notices, involving fines totaling RM12,000, by DOE for breaching regulations on the management of its scheduled waste, and imposed a prohibition order under the Environmental Quality Act since 30 January 2018 for building an extension used for lead melting.

B. Study on the Key Manufacturing Industries in which HK/Mainland China Companies Have Invested in Malaysia

Potential Environmental Issues[a]	Electronics	Garment & Clothing	Watches & Jewellery	Toys & Games	Hi-tech[b]
Historical Soil Pollution or Groundwater Pollution	✓	✓	✓	✓	✓
Lack of Relevant Environmental-related Licenses	✓	✓	✓	✓	✓
Wastewater Causing Soil or Groundwater Pollution	✓	✓	✓	✓	✓
Industrial Exhaust Emissions Causing Air Pollution	✓	✓	✓	—	—
Disposal of Hazardous Wastes Leading to Soil or Groundwater Contamination	✓	✓	—	✓	—
Noise Pollution Caused by the Operation of Machinery and Equipment	✓	✓	✓	✓	—

✓ indicates that the factory may face the environmental issues in the industry.

"—" indicates that the factory is less likely to face the environmental issues in the industry.

Note:

a. *"Environmental issue" indicates any environment-related problems factories may have faced during the pre-approval period, construction period and operation period.*

b. *Hi-tech in this table mainly includes industries producing electronic components, and components and accessories used for new power generators and renewable generators, etc.*

C. Comparison of Industrial Effluent/Emission Standards between Malaysia and Mainland China

Please refer below legend for the understanding of all the comparison tables in this section.

For the Mainland China standards (except for electronic industry and textile industry) and Malaysia Environmental Quality Regulations, values in brackets refer to the limit of effluent discharged into any inland waters within the catchment areas (specified in the Environmental Quality (Industrial Effluent) Regulations 2009 Sixth Schedule), and the values outside the brackets refer to the limit of effluent discharged into any other inland waters or Malaysian waters in Malaysia and water sources not serving tap water supply in Mainland China.

For the Mainland China standards in the electronic and textile industry, values are the limitation of effluent discharged into environment directly.

"↓" indicates the requirement of Mainland China is stricter than Malaysia.

"↑" indicates the requirement of Malaysia is stricter than Mainland China.

"=" indicates the requirement of Mainland China is the same as Malaysia.

"-" indicates there is no requirement in the standard.

"N/A" indicates that there is no comparison available due to the lack of a standard from one country.

The following tables list out the common pollutants in various industries. For a complete list, please refer to the Notes section below each table for relevant standards.

All standards listed below are applicable to factories in industrial areas. There are no official specialised requirements/standards for non-industrial areas in Malaysia at the moment, i,e. residential areas. If there are plans to build or operate factories in such area, a business should confirm with local environmental department whether specific regional requirements exist.

Electronics (Part 1/5)

Water and air pollutants are the main pollutants in the electronics industry. The following table compares the effluent and emission standards of Malaysia and Mainland China:

Industry	Major Types of Pollution	Pollutants		Limits		Comparison
				Malaysia[a]	Mainland China[b]	
Electronics	Water Pollutants mg/L (Except pH, on a scale of 0-14)	pH		5.5-9.0 (6.0-9.0)	6.0-9.0	↓ (=)
		Suspended solid		100 (50)	50	↓ (=)
		COD		200 (80)	80	↓ (=)
		BOD at 20°C		50 (20)	-	N/A
		Mercury		0.05 (0.005)	-	N/A
		Ammonia nitrogen	Special electronic materials	20 (10)	10/20[c]	↓/= (=/↑)
			Electrical units		5	↓ (↓)
			Printed circuit boards		20	= (↑)
			Semiconductor devices		10	↓ (=)
			Display device and photoelectron components		5	↓ (↓)
			Electron terminals products		5	↓ (↓)

Electronics (Part 2/5)

Industry	Major Types of Pollution	Pollutants		Limits		Comparison
				Malaysia[a]	Mainland China[b]	
Electronics	Water Pollutants mg/L (Except pH, on a scale of 0-14)	Total nitrogen	Special electronic materials	-	20/30[c]	N/A
			Electrical units		15	N/A
			Printed circuit boards		30	N/A
			Semiconductor devices		15	N/A
			Display device and photoelectron components		15	N/A
			Electron terminals products		15	N/A
		Total phosphorus	Special electronic materials	-	0.5/1.0[c]	N/A
			Electrical units		0.5	N/A
			Printed circuit boards		1.0	N/A
			Semiconductor devices		1.0	N/A
			Display device and photoelectron components		0.5	N/A
			Electron terminals products		0.5	N/A
		Sulphide	Special electronic materials	0.5 (0.5)	-	N/A
			Electrical units		-	N/A
			Printed circuit boards		1.0	↑ (↑)
			Semiconductor devices		1.0	↑ (↑)
			Display device and photoelectron components		-	N/A
			Electron terminals products		-	N/A
		Copper	Special electronic materials	1.0 (0.2)	0.5	↓ (↑)
			Electrical units		0.5	↓ (↑)
			Printed circuit boards		0.5	↓ (↑)
			Semiconductor devices		0.5	↓ (↑)
			Display device and photoelectron components		0.5	↓ (↑)
			Electron terminals products		-	N/A

Electronics (Part 3/5)

Industry	Major Types of Pollution	Pollutants		Limits		Comparison
				Malaysia[a]	Mainland China[b]	
Electronics	Water Pollutants mg/L (Except pH, on a scale of 0-14)	Zinc	Special electronic materials	2.0 (2.0)	1.5	↓ (↓)
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		1.5	↓ (↓)
			Display device and photoelectron component		1.5	↓ (↓)
			Electron terminals products		-	N/A
		Cadmium	Special electronic materials	0.02 (0.01)	0.05	↑ (↑)
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		0.05	↑ (↑)
			Display device and photoelectron components		-	N/A
			Electron terminals products		-	N/A
		Total chromium	Special electronic materials	-	1.0	N/A
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		0.5	N/A
			Display device and photoelectron components		-	N/A
			Electron terminals products		-	N/A
		Trivalent chromium		1.0 (0.2)	-	N/A
		Hexavalent chromium	Special electronic materials	0.05 (0.05)	0.2	↑ (↑)
			Electrical units		-	N/A
			Printed circuit boards		-	N/A
			Semiconductor devices		0.1	↑ (↑)
			Display device and photoelectron components		-	N/A
			Electron terminals products		-	N/A

Electronics (Part 4/5)

Industry	Major Types of Pollution	Pollutants		Limits		Comparison
				Malaysia[a]	Mainland China[b]	
Electronics	Water Pollutants mg/L (Except pH, on a scale of 0-14)	Arsenic	Special electronic materials	0.1 (0.05)	0.3	↑ (↑)
			Electrical units		0.3	↑ (↑)
			Printed circuit boards		-	N/A
			Semiconductor devices		0.2	↑ (↑)
			Display device and photoelectron components		0.2	↑ (↑)
			Electron terminals products		-	N/A
		Lead	Special electronic materials	0.5 (0.1)	0.2	↓ (↑)
			Electrical units		0.1	↓ (=)
			Printed circuit boards		-	N/A
			Semiconductor devices		0.2	↓ (↑)
			Display device and photoelectron components		0.2	↓ (↑)
			Electron terminals products		-	N/A
		Nickel	Special electronic materials	1.0 (0.2)	0.5	↓ (↑)
			Electrical units		0.5	↓ (↑)
			Printed circuit boards		0.5	↓ (↑)
			Semiconductor devices		0.5	↓ (↑)
			Display device and photoelectron components		0.5	↓ (↑)
			Electron terminals products		-	N/A
		Cyanide	Special electronic materials	0.1 (0.05)	0.2	↑ (↑)
			Electrical units		0.2	↑ (↑)
			Printed circuit boards		0.2	↑ (↑)
			Semiconductor devices		0.2	↑ (↑)
			Display device and photoelectron components		0.2	↑ (↑)
			Electron terminals products		-	N/A

Electronics (Part 5/5)

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Malaysia[a]	Mainland China[b]	
Electronics	Water Pollutants mg/L (Except pH, on a scale of 0-14)	Manganese	1.0 (0.2)	-	N/A
		Fluoride	5.0 (2.0)	10	↑ (↑)
		Oil and grease	10 (1.0)	-	N/A
		Selenium	0.5 (0.02)	-	N/A
		Silver	1.0 (0.1)	0.3	↓ (↑)
		Tin	1.0 (0.2)	-	N/A
		Boron	4.0 (1.0)	-	N/A
		Iron	5.0 (1.0)	-	N/A
		Aluminium	15 (10)	-	N/A
		Barium	2.0 (1.0)	-	N/A
		Formaldehyde	2.0 (1.0)	-	N/A
		Phenol	1.0 (0.001)	-	N/A
		Free chlorine	2.0 (1.0)	-	N/A
	Air Pollutants mg/m^3	NMVOC	20/150[d]	-	N/A
		TVOC	-	150	N/A
		NMHC	-	100	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise	Daytime 70 Night 60	Daytime 65 Night 55	↓
		Noise emission limits for industrial enterprise which is in areas of existing high environmental noise climate at boundary	L90[e] + 10	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.			

Note:

a. *Malaysia Standards: Environmental Quality (Industrial Effluent) Regulations 2009[10], Environmental Quality (Clean Air) Regulations 2014[11], and the Planning Guidelines For Environmental Noise Limits And Control[12].*

b. *Mainland China Standards: Emission Standard of Pollutants for Electrical Industry[13], and Emission Standard for Industrial Enterprises Noise at Boundary[14].*

c. *The value suitable for enterprises producing electrode foil of aluminum electrolytic capacitor.*

d. *20mg/m^3 (indicated as total organic carbon) in the case of halogenated hydrocarbons and 150mg/m^3 (indicated as total organic carbon) other than halogenated hydrocarbons.*

e. *L90 is the measured ninety percentile sound level for the respective time period of the existing areas of interest in the absence of the proposed new development.*

Garment & Clothing

Water pollutants and air pollutants are the main pollutants from wool scouring, printing and dyeing, degumming and washing processes in the garment & clothing industry. The following table compares the effluent and emission standards between Malaysia and Mainland China:

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Malaysia[a]	Mainland China[b]	
Garment & Clothing	Water Pollutants mg/L (Except pH , on a scale of 0-14, colour in ADMI)	pH	5.5-9.0 (6.0-9.0)	6.0-9.0	↓(=)
		Suspended solid	100 (50)	50	↓ (=)
		COD	250 (80)	80	↓ (=)
		BOD at 20°C	50 (20)	20	↓ (=)
		Colour[c]	200 (100)	50	↓ (↓)
		Ammonia nitrogen	20 (10)	10	↓ (=)
		Total nitrogen	-	15	N/A
		Total phosphorus	-	0.5	N/A
		Chlorine dioxide	-	0.5	N/A
		Free chlorine	2.0 (1.0)	-	N/A
		AOX	-	12	N/A
		Sulphide	0.5 (0.5)	0.5	N/A
		Aniline	-	Not be detected	N/A
		Hexavalent chromium	0.05 (0.05)	Not be detected	↓ (↓)
		Cyanide	0.1 (0.05)	-	N/A
		Total surfactant	-	-	N/A
	Air Pollutants mg/m^3	NMVOC	20/150[d]	-	N/A
		NMHC	-	120	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise	Daytime 70 Night 60	Daytime 65 Night 55	↓
		Noise emission limits for industrial enterprise which is in areas of existing high environmental noise climate at boundary	L90[e] + 10	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.			

Note:

a. *Malaysia Standards: Environmental Quality (Industrial Effluent) Regulations 2009[10], Environmental Quality (Clean Air) Regulations 2014[11], and the Planning Guidelines For Environmental Noise Limits And Control[12].*

b. *Mainland China Standards: Discharge Standard for Water Pollutants in Textile Dyeing and Finishing Industry[15], Integrated Emission Standard of Air Pollutants[16], and Emission Standard for Industrial Enterprises Noise at Boundary[14].*

c. *20mg/m³ (indicated as total organic carbon) in the case of halogenated hydrocarbons and 150mg/m³ (indicated as total organic carbon) other than halogenated hydrocarbons.*

d. *"Colour" is the indicator in Malaysia Standard, while it refers to "Chroma" in Mainland China Standard.*

e. *L90 is the measured ninety percentile sound level for the respective time period of the existing areas of interest in the absence of the proposed new development.*

Watches & Jewellery

Water pollutants from the washing process and air pollutants from the polishing process are the main pollutants in the watches & jewellery industry. The following table compares the effluent and emission standards between Malaysia and Mainland China:

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Malaysia[a]	Mainland China[b]	
Watches & Jewellery	Water Pollutants mg/L (Except pH , on a scale of 0-14)	pH	5.5-9.0 (6.0-9.0)	6.0-9.0 (6.0-9.0)	↓ (=)
		Suspended solid	100 (50)	150 (70)	↑ (↑)
		COD	200 (80)	150 (100)	↓ (↑)
		BOD at 20°C	50 (20)	30 (20)	↓ (=)
		Ammonia nitrogen	20 (10)	25 (15)	↑ (↑)
		Cyanide	0.10 (0.05)	0.5 (0.5)	↑ (↑)
		Hexavalent chromium	0.05 (0.05)	0.5 (0.5)	↑ (↑)
		Petroleum	-	10 (5)	N/A
		Animal and vegetable oil	-	15 (10)	N/A
		Oil and grease	10 (1.0)	-	N/A
	Air Pollutants mg/m^3	NMVOC	20/150[c]	-	N/A
		NMHC	-	120	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise	Daytime 70 Night 60	Daytime 65 Night 55	↓
		Noise emission limits for industrial enterprise which is in areas of existing high environmental noise climate at boundary	L90[d] + 10	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.			

Note:

a. *Malaysia Standards: Environmental Quality (Industrial Effluent) Regulations 2009[10], Environmental Quality (Clean Air) Regulations 2014[11], and the Planning Guidelines For Environmental Noise Limits and Control[12].*

b. *Mainland China Standards: Integrated Wastewater Discharge Standard[17], Integrated Emission Standard of Air Pollutants[16], and Emission Standard for Industrial Enterprises Noise at Boundary[14].*

c. *20mg/m³ (indicated as total organic carbon) in the case of halogenated hydrocarbons and 150mg/m³ (indicated as total organic carbon) other than halogenated hydrocarbons.*

d. *L90 is the measured ninety percentile sound level for the respective time period of the existing areas of interest in the absence of the proposed new development.*

Toys & Games

Water pollutants from the washing process, air pollutants resulting from production and storage of polymers, and the precursors process are the major types of pollution in the toys & games industry. The following table compares the effluent and emission standards between Malaysia and Mainland China:

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Malaysia[a]	Mainland China[b]	
Toys & Games	Water Pollutants mg/L (Except pH , on a scale of 0-14)	pH	5.5-9.0 (6.0-9.0)	6.0-9.0 (6.0-9.0)	↓ (=)
		Suspended solid	100 (50)	150 (70)	↑ (↑)
		COD	200 (80)	150 (100)	↓ (↑)
		BOD at 20°C	50 (20)	30 (20)	↓ (=)
		Ammonia nitrogen	20 (10)	25 (15)	↑ (↑)
		Sulphide	0.5 (0.5)	1.0 (1.0)	↑ (↑)
		Phenols	1.0 (0.001)	-	N/A
		Volatile phenols	-	0.5 (0.5)	N/A
		Petroleum	-	10 (5)	N/A
		Animal and vegetable oil	-	15 (10)	N/A
		Oil and grease	10 (1.0)	-	N/A
		Cyanide	0.1 (0.05)	0.5 (0.5)	↑ (↑)
	Air Pollutants mg/m^3	NMVOC	20/150[c]	-	N/A
		NMHC	-	120	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise	Daytime 70 Night 60	Daytime 65 Night 55	↓
		Noise emission limits for industrial enterprise which is in areas of existing high environmental noise climate at boundary	L90[d] + 10	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.			

Note:

a. *Malaysia Standards: Environmental Quality (Industrial Effluent) Regulations 2009[10], Environmental Quality (Clean Air) Regulations 2014[11], and the Planning Guidelines For Environmental Noise Limits And Control[12].*

b. *Mainland China Standards: Integrated Wastewater Discharge Standard[17], Integrated Emission Standard of Air Pollutants[16], and Emission Standard for Industrial Enterprises Noise at Boundary[14].*

c. *20mg/m³ (indicated as total organic carbon) in the case of halogenated hydrocarbons and 150mg/m³ (indicated as total organic carbon) other than halogenated hydrocarbons.*

d. *L90 is the measured ninety percentile sound level for the respective time period of the existing areas of interest in the absence of the proposed new development.*

Hi-tech

Water and air pollutants from the chemical cleaning process are the major type of pollution in the hi-tech industry. The following table compares the effluent and emission standards of Malaysia and Mainland China:

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Malaysia[a]	Mainland China[b]	
Hi-tech	Water Pollutants mg/L (Except pH , on a scale of 0-14)	pH	5.5-9.0 (6.0-9.0)	6.0-9.0 (6.0-9.0)	↓ (=)
		Suspended solid	100 (50)	150 (70)	↑ (↑)
		COD	200 (80)	150 (100)	↓ (↑)
		BOD at 20°C	50 (20)	30 (20)	↓ (=)
		Ammonia nitrogen	20 (10)	25 (15)	↑ (↑)
		Sulphide	0.5 (0.5)	1.0 (1.0)	↑ (↑)
		Copper	1.0 (0.2)	1.0 (0.5)	= (↑)
		Zinc	2.0 (2.0)	5.0 (2.0)	↑ (=)
		Formaldehyde	2.0 (1.0)	2.0 (1.0)	= (=)
		Phenols	1.0 (0.001)	-	N/A
		Volatile phenols	-	0.5 (0.5)	N/A
		Cyanide	0.10 (0.05)	0.5 (0.5)	↑ (↑)
	Air Pollutants mg/m^3	NMVOC	20/150[c]	-	N/A
		NMHC	-	120	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise	Daytime 70 Night 60	Daytime 65 Night 55	↓
		Noise emission limits for industrial enterprise which is in areas of existing high environmental noise climate at boundary	L90[d] + 10	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.			

Note:

a. *Malaysia Standards: Environmental Quality (Industrial Effluent) Regulations 2009[10], Environmental Quality (Clean Air) Regulations 2014[11], and the Planning Guidelines For Environmental Noise Limits And Control[12].*

b. *Mainland China Standards: Integrated Wastewater Discharge Standard[17], Integrated Emission Standard of Air Pollutants[16], and Emission Standard for Industrial Enterprises Noise at Boundary[14].*

c. *20mg/m^3 (indicated as total organic carbon) in the case of halogenated hydrocarbons and 150mg/m^3 (indicated as total organic carbon) other than halogenated hydrocarbons.*

d. *L90 is the measured ninety percentile sound level for the respective time period of the existing areas of interest in the absence of the proposed new development.*

Food & Beverage, Chemicals & Plastics

Food & beverage industry is one with some obvious characteristic pollutants, such as COD, TSS, and other organic substances in the wastewater. For the COD concentration, there are special limits for fermentation and distillery industries in Malaysia, as regulated in the Environmental Quality (Industrial Effluent) Regulations 2009.

Compared with other industries, chemicals & plastics industry involves more significant potential environmental risk. Mainland China has established special standards focusing on industries such as Emission Standards of Pollutants for Inorganic Chemical Industry, Emission Standard of Pollutants for Nitric Acid Industry, Emission Standard of Pollutants for Sulfuric Acid Industry, etc. In Malaysia, the chemicals & plastics industry should be in compliance with the general environmental standards.

General Industries

General industries refer to those industries which do not produce massive or characteristic pollutants (such as the logistics & transportation industry, furniture industry, etc.). Such industries should be in compliance with the general environmental standards available in both countries.

The following table compares the general effluent/emission standards of Malaysia and Mainland China:

Industry	Major Types of Pollution	Pollutants	Limits		Comparison
			Malaysia[a]	Mainland China[b]	
General Industries	Water Pollutants mg/L (Except pH , on a scale of 0-14)	pH	5.5-9.0 (6.0-9.0)	6.0-9.0 (6.0-9.0)	↓ (=)
		Suspended solid	100 (50)	150 (70)	↑ (↑)
		COD	200 (80)	150 (100)	↓ (↑)
		BOD at 20°C	50 (20)	30 (20)	↓ (=)
		Ammonia nitrogen	20 (10)	25 (15)	↑ (↑)
		Sulphide	0.5 (0.5)	1.0 (1.0)	↑ (↑)
		Formaldehyde	2.0 (1.0)	2.0 (1.0)	= (=)
	Air Pollutants mg/m^3	NMHC	-	120	N/A
	Noise Emission dB (A)	Noise limits for boundary of industrial enterprise	Daytime 70 Night 60	Daytime 65 Night 55	↓
		Noise emission limits for industrial enterprise which is in areas of existing high environmental noise climate at boundary	L90[c] + 10	-	N/A
	Hazardous Waste	Hazardous wastes are required to be disposed by a qualified third party. For more hazardous waste information, please refer to II.A of this section.			

Note:

a. *Malaysia Standards: Environmental Quality (Industrial Effluent) Regulations 2009[10], Environmental Quality (Clean Air) Regulations 2014[11], and the Planning Guidelines For Environmental Noise Limits And Control[12].*

b. *Mainland China Standards: Integrated Wastewater Discharge Standard[17], Integrated Emission Standard of Air Pollutants[16], and Emission Standard for Industrial Enterprises Noise at Boundary[14].*

c. *L90 is the measured ninety percentile sound level for the respective time period of the existing areas of interest in the absence of the proposed new development.*

III. The Main Local Supporting Organisations/Agencies in Malaysia

Malaysia's environmental laws and regulations system is currently going through a refining process. The overall trend is going to be more stringent to the industries.

To ensure environmental compliance and to maintain a good relationship with the public, the investors should pay attention to the environment survey, license application and must meeting the local discharge standards in design-build and operation periods.

The following tables list out the main local organisations and agencies providing relevant environmental related supporting services.

A. Environmental Due Diligence Services in Malaysia

Agency/Organisation	Service Coverage	Contact
PwC	• Environmental Due Diligence; • Governance Assessment Practices; • Environmental and Social Risk Management; • Sustainability Assurance; • Carbon Inventory and Reduction Strategy; • Environmental and Social Risk Management; • Supply Chain Management; and • Sustainability Risk Assessment, etc.	+603 2173 0348
SLP Environmental	• Due Diligence, Transaction and Funder Services; • Impact Assessment and Planning; • Regulatory Compliance & Risk Management; and • Contaminated Site Assessment and Management, etc.	+ 66 (0) 2168 7016
AGV Environment	• Environmental Due Diligence; • Environmental and Social Impact Assessment and Planning; and • Environmental Permitting Services, etc.	+603 7931 1455

B. EIA/IEE/EMP Supporting Services in Malaysia

Agency/Organisation	Service Coverage	Contact
Malaysian Environmental Consultants	• Planning & Management; and • Environmental Impact Assessment, etc.	+603 2052 6412/4
Asia Pacific Environmental Consultants	• Environmental Impact Assessment (EIA); • Environmental Management Plans (EMP); • Environmental Management Reports (EMR); and • Environmental Management Compliance Plan (EMCP), etc.	+603 9057 4392
HYDEC Engineering	• Environmental Impact Assessment study; and • Wetlands Study (Conservation and Management), etc.	+603 4106 6088
Envilab	• Environmental Monitoring Programs; • Laboratory Chemical Analysis; and • Environmental Impact Assessment (EIA), etc.	+603 5740 9888

C. Environmental Monitoring Services in Malaysia

Agency/ Organisation	Service Coverage	Contact
Fixone Environmental Services	• Air Quality Monitoring, Water Quality Monitoring, Noise Monitoring, Air Emissions Monitoring; • Wastewater Characteristic Study, Industrial Effluent Characteristics Study; • Monthly Discharge Monitoring Report; and • Ambient Air Monitoring, Boundry Noise Monitoring, On-site Air, Water, Noise Monitoring for EIA studies, etc.	+601 7487 7411
Transwater API Sdn Bhd	• Ambient & Particulate Monitoring (AQMS); • Stack Emission Monitoring (CEMS); and • Industrial Hygiene, etc.	+603 5569 2905
Velcro Envirotech Sdn Bhd	• Water and Wastewater Treatment, Field Sampling, Waste Management, Environmental Monitoring and Environmental Testing; and • Total Waste Management, Air Pollution Control and Wastewater Treatment Design, Tank Cleaning Management, etc.	+605 357 2189
Exact Analytical Sdn Bhd	• Exact Analytical Services; and • Moisture Analysers, NDIR Gas Analysers, Oxygen Analysers, Dust Monitoring Systems, Fire and Gas Detection Systems, etc.	+603 8076 5531

D. Hazardous Wastes Disposal Services in Malaysia

Agency/ Organisation	Service Coverage	Contact
Krubong Recovery	• Collecting and Recycling of Industrial Waste, etc.	+601 2681 2313
Loh Recycle Collection	• Waste and Recycling Services; • Scrap Supply Trading; and • Electronic Waste Trading, etc.	+601 4343 4899
Sekitar Synergy	• Hazardous Waste Minimisation Technique; • Environmental Monitoring; • Effluent Treatment System; and • ISO14001 - Client Tailored Refresher Courses, etc.	+601 9772 5676
Crudesco	• Waste Management; and • Collection, Transport and Disposal of Waste, etc.	+603 2143 2223
Pollution Engineerings (M)	• Industrial Wastewater and Sewage Treatment Systems; • River and Pond Water Purification Systems; • Solid Waste Treatment and Recycling Systems; • Air Pollution Control Systems; and • Renewable Energy Systems, etc.	+603 8961 7999

E. Pollutants Treatment Services in Malaysia

Agency/ Organisation	Service Coverage	Contact
3R Quest	• Contaminated Soil Treatment; • Disposed Containers, Bags or Equipment Treatment; • Contaminated Rags, Gloves, Plastic, Filters, Paper Treatment; and • E-Waste Treatment, etc.	+606 685 3123
5E RESOURCES	• Waste Oil Recovery; • Paint, Ink and Dye Recovery; • Cotton Rags Recovery; and • Wastewater Treatment, etc.	+607 252 1288
Bio Enviro Industries	• Water Treatments Consultations; • Supply of Wastewater Treatment Plant Accessories and Equipment; and • Operational & Maintenance of Water Treatment Plant, etc.	+603 3123 1681

Source:

[1] Official Portal of Ministry of Energy, Science, Technology, Environment & Climate Change, MESTECC 2019

[2] Official Portal of Department of Environment, DOE 2019

[3] Environmental Quality Act, 1974 (amended in 2012)

[4] Environmental Impact Assessment (EIA) Procedure and Requirements in Malaysia, 2013

[5] Joint Statement by the Government of the People's Republic of China and the Government of Malaysia on the Framework for Future Bilateral Cooperation, 1999

[6] Joint Statement of China and ASEAN Leaders on Sustainable Development, 2010

[7] China-ASEAN Environmental Protection Cooperation Strategy 2016-2020, 2017

[8] Environmental Quality (Licensing) Regulations, 1977

[9] Environmental Requirements: A Guide for Investors, DOE 2010

[10] Environmental Quality (Industrial Effluent) Regulations, 2009

[11] Environmental Quality (Clean Air) Regulations, 2014

[12] The Planning Guidelines for Environmental Noise Limits and Control，2007

[13] Emission Standard of Pollutants for Electrical Industry,2nd Edition for Suggestion

[14] Emission Standard for Industrial Enterprises Noise at Boundary, 2008

[15] Discharge Standard for Water Pollutants in Textile Dyeing and Finishing Industry ,GB 4287-2012

[16] Integrated Emission Standard of Air Pollutants, GB 16297-1996

[17] Integrated Wastewater Discharge Standard, GB 8978-1996

[18] Merchant Shipping (Oil Pollution) Act, 1994

[19] Sewerage Services Act, 1993

[20] Solid Waste and Public Cleansing Management Act, 2007

[21] Town and Country Planning Act, 1976 (amended in 2017)

[22] Malaysia Marine Water Quality Standards and Index

[23] National Water Quality Standards for Malaysia

[24] Standards & Index for Groundwater Quality In Malaysia, 2019

[25] New Malaysia Ambient Air Quality Standard

Appendix

Appendix 1	*Schedule of Sectors Covered in HRDF, Contribution Criteria, and Rate of Levy*
Appendix 2	*Cost of Industrial Land per State*
Appendix 3	*Cost of Ready-built Factories per State*
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Appendix 1

Schedule of Sectors Covered in HRDF, Contribution Criteria, and Rate of Levy

Manufacturing Sector

Making or processing of an article by labour or machine or both, including the transformation of parts or components into another article of a different nature or character by way of altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal, including the building of a ship or the assembly of parts of a ship.

Service Sector

- Hotel
- Air transport
- Travel Agency (inbound)
- Telecommunication
- Freight Forwarding
- Shipping
- Postal or Courier
- Advertising
- Computer Services
- Energy
- Training
- Higher Education
- Commercial Land
- Transport & Railway Transport Services
- Direct Selling
- Port Services
- Engineering Support and Maintenance Services
- Research and Development
- Warehousing Services
- Security Services
- Private Hospital Services
- Gas, Steam and Air-Conditioning Supply
- Water Treatment and Supply
- Sewerage
- Waste
- Management and Material Recovery Services
- Transport & Railway Transport Services
- Direct Selling
- Port Services
- Engineering Support and Maintenance Services
- Research and Development
- Warehousing Services
- Security Services
- Private Hospital Services
- Gas, Steam and Air-Conditioning Supply
- Water Treatment and Supply
- Sewerage
- Waste
- Management and Material Recovery Services
- Production of Motion Picture, Video and Television Programme, Sound Recording and Music Publishing
- Information Service
- Building and Landscape Services
- Event Management Services
- Early Childhood Education
- Health Support Services
- Franchise
- Sale and Repair of Motor Vehicles
- Private Broadcasting Services
- Driving School
- Veterinary Services
- Hypermarket, Supermarket and Departmental Store Services
- Food and Beverage Services
- Tourism Enterprise (outbound)

Mining & Quarrying Sector

- Petroleum and Gas Extraction
- Mineral and Stone Quarrying

Eligibility Criteria	Rate of Levy
Employer with at least 10 Malaysian employees	Mandatory contribution of 1%
Employer with 5 – 9 Malaysian employees	Voluntary contribution of 0,5%

Appendix 2

Cost of Industrial Land per State

Location	Selling Price per sq. ft.	Quit Rent per Annum per 100 sq. m.
Pahang	USD 1.2 – 5.1	USD 300 – 500 *(Note)*
Melaka	USD 3.6 – 7.2	USD 15 – 45
Perlis	USD 1.5 – 2.4	USD 40
Kedah (PKNK)	USD 1.2 – 4.9	USD 20 – 40
Penang	USD 8.5 – 16.3	USD 25 – 30
Terengganu	USD 0.5 – 17.0	USD 2 -5 *(Note)*
Location	**Selling Price per sq. ft.**	**Quit Rent per Annum per ha.**
Selangor	USD 12.2 – 36.6	USD 660 – 5,840 per ha.
Perak	USD 2.4 – 7.3	USD 1,100 – 2,680 per ha.
Negeri Sembilan	USD 1.5 – 12.2	USD 490 – 1,870 per ha.
Kedah (KHTP)	USD 7.3 – 8.5	USD 490 – 730 per ha.
Johor	USD 6.1 – 21.9	USD 390 – 580 per ha
Sarawak	USD 9.7 – 40.3	USD 260 per ha.
Kelantan	USD 3.7	USD 240 per ha
Sabah (KKIP/POIC)	USD 4.9 – 7.3	N/A

Note: This is according to the MIDA official statistics, but this figure is not in line with the benchmark observed in the other states.

For more details please visit the Malaysian Investment Development Authority homepage (www.mida.gov.my/home/starting-a-business/posts)

Appendix 3

Cost of Ready-built Factories per State

Location	Selling Price per sq.ft.	Rental per sq.ft. per Month
Selangor	USD 17 – 122	USD 0.4 – 0.8
Perlis	USD 100	USD 0.1
Penang	USD 34 - 97	USD 0.2 – 0.9
Johor	USD 34 – 97	USD 0.3 – 0.7
Negeri Sembilan	USD 18 – 75	USD 0.2 – 0.5
Melaka	USD 27 - 42	USD 0.2
Kelantan	USD 36	USD 0.1
Pahang	USD 12 – 31	USD 0.1 – 0.2
Perak	USD 24 – 28	USD 0.1 – 0.2
Kedah (PKNK)	USD 12 – 17	USD 0.1 – 0.2
Kedah (KHTP)	N/A	USD 0.5
Terengganu	N/A	N/A
Sabah (KKIP/POIC)	N/A	N/A
Sarawak	N/A	N/A

For more details please visit the Malaysian Investment Development Authority homepage (www.mida.gov.my/home/starting-a-business/posts)

Appendix 4

Malaysia’s Selected Infrastructural Development Pipelines

Project	Value (USD billion)	Specifications
Transport – Rail		
Mass Rapid Transit (MRT) Sungai Buloh – Serdang – Putrajaya	7.9	A 52.2km in length (13.5 km is underground) subway project serving a corridor of 2 million people. It will count 35 stations. (MYR 32 billion)
Light Rail Transit Line 3 (LRT3) in Klang Valley	2.2	A 37km project with 26 stations which should benefit 500,000 people. (MYR 9 billion)
Transport – Road		
Pan Borneo Highway in Sabah and Sarawak	6.6	Upgrade of around 1,660km of roads between Sarawak and Sabah with Brunei. (MYR 27 billion)
Central Spine Road in East Coast	2.7	A 6 phase road project over 400km connecting Connecting Pahang and Kota Baru, Kelantan. (MYR 11 billion)
Urban Development		
Tun Razak Exchange (The Exchange TRX)	2.2	A 70 acres projects to develop hotels, offices, residential apartment, retail and leisure facilities (MYR 9 billion)
Bukit Bintang City Centre (BBCC) in Kuala Lumpur	2.1	A 19.4 acre project to develop office towers, business facilities, hotels, shopping centre, residential facilities. (MYR 8.7 billion)
Utilities		
Pasir Gudang Combined Cycle Gas Turbine Power Plants	1.1	A power plant with 2x720MW combined-cycle gas turbines (MYR 4.7 billion)
High Speed Broadband Phase 2 and Sub-Urban Broadband	0.8	Deliver high-speed broadband access speeds (20Mbps to 100Mbps) to nearly 1 million people. (MYR 3.4 billion)
Langkawi Submarine Power Cable	0.3	28 km extra-high-voltage submarine cables connecting Perlis and Langkawi

Appendix 5

The Main Environmental Laws/Regulations in Malaysia

Ministry of Energy, Science, Technology, Environment and Climate Change	Ministry of Water, Land and Natural Resources	Ministry of Housing and Local Government
Environmental Quality Act, 1974 (amended in 2012)	Merchant Shipping (Oil Pollution) Act, 1994	Solid Waste and Public Cleansing Management Act, 2007
	Sewerage Services Act, 1993	Town and Country Planning Act, 1976 (amended in 2017)

The Main Environmental Standards in Malaysia

Ambient Standards	Malaysia Marine Water Quality Standards And Index
	National Water Quality Standards For Malaysia
	Standards & Index For Groundwater Quality In Malaysia
	New Malaysia Ambient Air Quality Standard
Effluent Standards	Environmental Quality (Clean Air) Regulations 2014
	Environmental Quality (Industrial Effluent) Regulations 2009
	The Planning Guidelines for Environmental Noise Limits and Control

Glossary – Section 1 to 9 Operational Requirements

11MP	11th Malaysian Plan
4IR	Fourth Industrial Revolution
AFTA	ASEAN Free Trade Area
AP	Approved Permit
APA Guidelines	Advance Pricing Arrangement Guidelines 2012
APA Rules	Income Tax (Advance Pricing Arrangement) Rules 2012
AR/VR	Augmented Reality/Virtual Reality
ASEAN	Association of Southeast Asia Nations
BOCE	Bohai Commodity Exchange
CCM	Companies Commission Malaysia
DFTZ	Digital Free Trade Zone
DGIR	The Director General of Inland Revenue
E&E	Electrical & Electronics
EA	The Employment Act
ECER	East Coast Economic Region
EIIS	Employment Injury Insurance Scheme
EIS	Employment Insurance System
EP	Employment Pass
EPF Act	The Employees Provident Fund Act
EPP	Entry Point Projects

ETP	Economic Transformation Programme
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GST	Goods and Services Tax
HRDF	Human Resources Development Fund
HRDL	Human Resources Development Levy
HS	Harmonised System
ICT	Information Communication Technologies
Industry4WRD	National Policy on Industry 4.0
IoT	Internet of Things
IPS	Invalidity Pension Scheme
IRB	Inland Revenue Bureau
IRDA	Iskandar Malaysia in Southern Johor
ITA	Investment Tax Allowance
JV	Joint Venture
KLIA	Kuala Lumpur International Airport
LFPR	Labour Force Participation Rate
LLC	Limited Liability Company
LLP	Limited Liability Partnership
M&E	Machinery & Equipment
MASB	Malaysian Accounting Standards Board
MASTIC	Malaysian Science and Technology Information Centre

MDTCA	The Ministry of Domestic Trade and Consumer Affairs
MESTECC	Ministry of Energy, Science, Technology, Environment & Climate Change
MIDA	Malaysian Investment Development Authority
MIGHT	Malaysian Industry-Government Group for High Technology
MITI	Ministry of International Trade and Industry
MSC	Multimedia Super Corridor
MyCC	Malaysian Competition Commission
MyIPO	Intellectual Property Corporation of Malaysia
MYR	Malaysian Ringgit
NCER	Northern Corridor Economic Region
NKEA	National Key Economic Areas
NPSTI	National Policy On Science, Technology & Innovation
OSA	Office Of Science Advisor
PDPA	The Personal Data Protection Act
PETRONAS	Petroliam Nasional Berhad
PH	Pakatan Harapan
PS	Pioneer Status
PSMB	Pembangunan Sumber Manusia Berhad
QCE	Qualifying Capital Expenditure
R&D	Research And Development
RMCD	Royal Malaysian Customs Department
S&T	Science and Technology
SCORE	Sarawak Corridor of Renewable Energy

SDC	Sabah Development Corridor
SI	Statutory Income
SME	Small and Medium-sized Enterprises
SOCSO	The Social Security Organisation
STI	Science Technology and Innovation
TEUS	Twenty Foot Equivalent Unit
TP Guidelines	Malaysian Transfer Pricing Guidelines 2012
TP Rules	Income Tax (Transfer Pricing) Rules 2012
UMNO	United Malays National Organisation
USD	United States Dollar
WTO	World Trade Organization
YA	Year Of Assessment

Glossary – Section 10 Environmental Requirements

AOX	Absorbable Organic Halogen
BOD	Biochemical Oxygen Demand
COD	Chemical Oxygen Demand
EDD	Environmental Due Diligence
EIA	Environmental Impact Assessment
DASN	National Policy on the Environment
DOE	Department of Environment
KeTTHA	Ministry of Energy, Green Technology and Water
MESTECC	Ministry of Energy, Science, Technology, Environment and Climate Change
MOSTI	Ministry of Science, Technology and Innovation
NMHC	Non-methane Hydrocarbon
TVOC	Total Volatile Organic Compounds

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