

Malaysia company registration



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For over a decade, Healy Consultants has efficiently and effectively assisted our Clients with registering their business in Malaysia. We help our Clients with **i)** determining the optimum corporate structure **ii)** meeting business license requirements **iii)** national sponsor considerations **iv)** business banking in Malaysia **v)** visa strategies and **vi)** office rental solutions.

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Best uses for a Malaysian company

There are three best uses for a Malaysian company: **i)** as an industrial and manufacturing hub **ii)** as a regional headquarters and **iii)** for financial and investment companies.

As an industrial and manufacturing hub

- There is an abundance of cheap raw materials and skilled labor in Malaysia, and its reputation as a manufacturing hub has grown. Natural resources such as palm oil, rubber, timber, oil, and tin can be found easily;
- Malaysia has four major ports, and with its ideal location on the Straits of Malacca, it is easy to distribute goods by sea;
- Tax savings can be made in one of Malaysia's five free zones (FZs). These FZs offer foreign companies zero customs duties and flexible trading laws;
- As a member of ASEAN, Malaysian companies benefit from the free trade agreements between the member states;
- Malaysia's government has developed industrial parks, including industrial FZs, technology parks and the Multi-media Super Corridor (MSC) to attract foreign investors. Foreign companies are provided with investment incentives and companies can enjoy tax exemption for a number of years.

As a regional headquarters

- Malaysia is an excellent location for a regional headquarters. It is located in the center of South East Asia and is close to major Asian markets such as Singapore, Thailand, Vietnam, India and China;
- Malaysian companies are not taxed on international income. Tax efficiency is further improved by the country's 68 double taxation treaties, which reduce withholding tax and the overall tax burden for Malaysian-resident businesses;
- Companies looking to enter Malaysia can tap into the immense growth potential in the country's tourism industry;
- After company registration, companies are allowed to have various business activities. Based on the different business activities, companies will need to obtain the relevant licenses from local authorities.

For financial and investment companies

- Malaysia-based fund managers are permitted to trade their financial products to corporate and retail investors in Singapore and Thailand. The only requirement is for them to submit their applications to the countries' Security Exchange Commissions;
- To attract foreign investors, laws with regards to foreign ownership are being relaxed. Foreign ownership limits of stock brokerages and unit trust fund companies have been increased to 70%, and there can now be complete foreign ownership control in wholesale fund management companies.

Why set up a company in Singapore



CHEAPER ALTERNATIVE TO SINGAPORE

GROWING TOURISM SECTOR

DEVELOPING INDUSTRIAL AND SERVICES SECTORS

CONTINUOUS ECONOMIC GROWTH

70% OF THE POPULATION SPEAKS ENGLISH

HALAL PARKS

LIBERAL VIEWS

ISLAMIC BANKING

It is a **cheaper alternative to Singapore:**

- Office space rental prices are significantly lower than Singapore's;
- The average monthly wage in Malaysia is US\$2,310 compared to US\$3,245 in Singapore.

Malaysia has been building up their **tourism sector** to rival Singapore's through building of new hotels, amusement and theme parks and luxurious residential complexes;

Malaysia has been growing its **industrial and services sectors** through the development of ports such as Port Klang to serve major shipping routes;

Malaysia has shown continuous **economic growth** over the past decade of 1.15%;

English is spoken by 70% of the population, making it easier for foreigners to communicate with local employees, customers and suppliers. Most business documents are also available in English;

It is a great location for members of the Islamic community looking to enter South East Asia:

- **Halal parks:** There are Halal Parks to ease company registration procedures and provide incentives for Halal-related manufacturing sectors;
- **Liberal views on Islam:** Malaysia can be seen as a gateway between the "Islamic world" and "Western world" due to its modern Islamic practices;
- **Islamic banking:** Malaysia has one of the biggest Sharia-compliant financial sectors by assets. There is no restriction on repatriation between international Sharia bank accounts.

Business entity types in Malaysia

When setting up a new company, it is important to identify the right company type for your business. Below is a summary of the key company types in Malaysia.

Limited liability company (LLC)

- Also known as SDN BHD;
- The most common business entity type chosen by entrepreneurs entering Malaysia;
- Shareholders' liability is limited to their capital investment;
- Stock transfer requires confirmation from a majority of members.

Bumiputera company

- This entity type requires at least 30% indigenous resident ownership;
- Bumiputera companies benefit from special grants, discounts and incentives such as cheaper business licenses, special bank agreements, native reservation of land, and discounts when purchasing or renting land.

Branch office

- Branch offices can only operate within the scope of the parent company;
- This company type can engage in business activities including trade, invoicing clients and signing contracts.

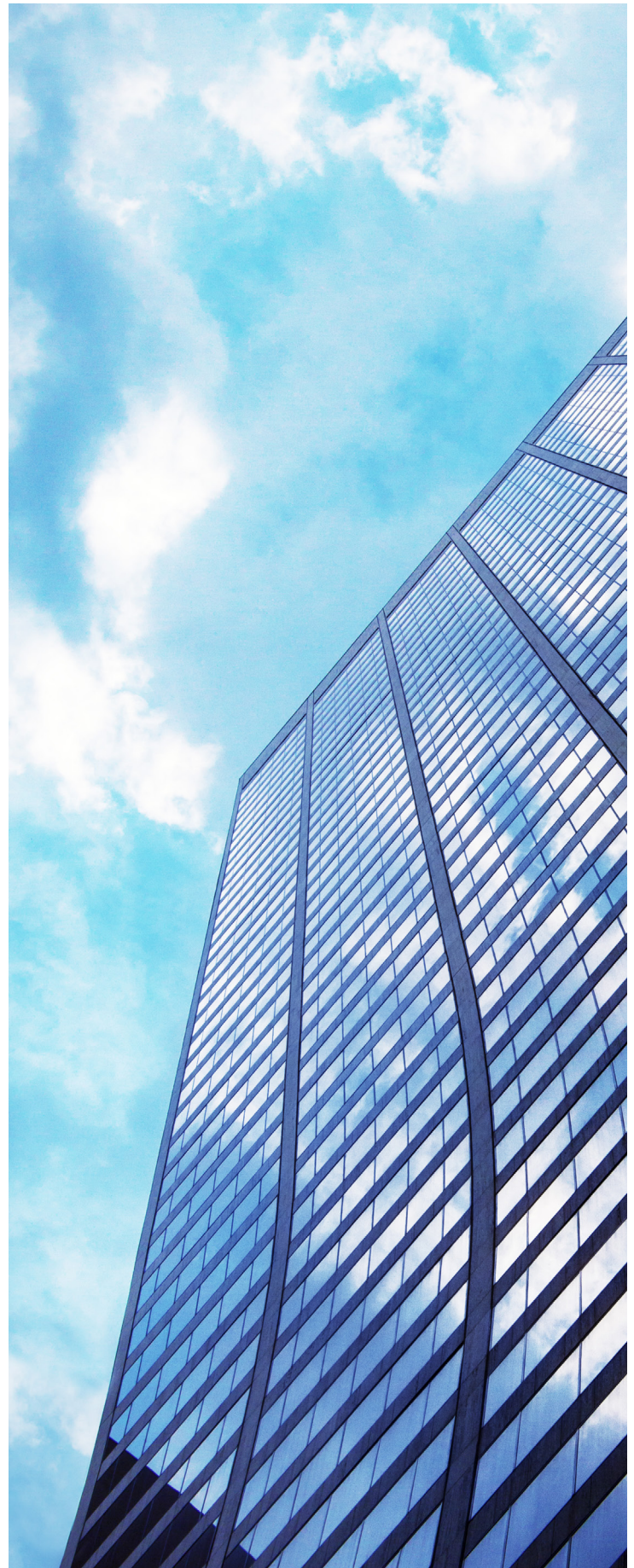


Table of comparison between Singapore business entities

	LLC	Bumiputera	Branch office	Representative office
Operations and logistics				
Do you need to visit Malaysia for company setup?	No	No	No	No
Allowed to sign sales contracts with local Clients	Yes	Yes	Yes	No
Allowed to invoice local Clients	Yes	Yes	Yes	No
Can rent local office premises	Yes	Yes	Yes	Yes
Tenancy agreement required before incorporation?	No	No	No	No
Allowed to import raw materials?	Yes	Yes	Yes	No
Allowed to export goods?	Yes	Yes	Yes	No
Accounting and tax				
Corporate tax payable	25%	25%	25%	None
Statutory audit required	Yes	Yes	Yes	NA
Annual tax return to be submitted	Yes	Yes	Yes	NA
Access to double taxation treaties	Yes	Yes	Yes	NA
Company law				
Issued share capital required	RM2	RM2	None	None
Resident director required?	Yes	Yes	Yes	No
Resident shareholder required?	No	Yes	No	No
Minimum number of directors	1	2	1	1
Minimum number of shareholders	2	2	1	1
Resident company secretary	Yes	Yes	Yes	No
Individual shareholders allowed	Yes	Yes	Yes	NA
Corporate directors allowed	No	No	No	NA
Corporate shareholders allowed	Yes	Yes	Yes	NA
Public register of shareholders and directors	Yes	Yes	Yes	NA
Immigration				
Can the entity hire expatriate staff?	Yes	Yes	Yes	Yes
Employment visa fees	US\$7,950	US\$7,950	US\$7,950	US\$7,950
How long to get work permit approved	3 months	3 months	3 months	3 months
Fees and timelines				
How long to set the company up?	4 weeks	2 weeks	6 weeks	5 weeks
How long to open corporate bank account?	4 weeks	2 weeks	2 weeks	2 weeks
Estimate of engagement costs	US\$15,830	US\$12,580	US\$17,450	US\$13,365

Doing business in Malaysia through a Labuan company

- Labuan is a low tax jurisdiction;
- Companies incorporated in Labuan can establish a marketing office in some other parts of Malaysia;
- Companies incorporated in Labuan can also hire local or expatriate staff to work in Malaysia.

Eligibility

- All Labuan companies can lease office premises in Kuala Lumpur and/or Iskandar Malaysia, Johor Bahru;
- A Labuan company cannot issue sales invoices in Malaysia;
- All other global income can be booked into the Labuan company;
- A Labuan company can secure Malaysian employment visas for staff;
- The number of staff in a Malaysian marketing office cannot exceed four.

Operational requirements

- Labuan is a low tax jurisdiction;
- There is no minimum share capital requirement for a company in Labuan;
- A Labuan company must pay either 3% tax on net audited profits or a fixed sum of US\$6,000;
- A Labuan offshore company that does not trade is not required to pay taxes;
- The name of the Labuan company must be easily legible in Romanized characters, printed on a signboard at the entrance of the marketing office;
- An annual fee of MYR7,500 is payable to the Malaysian Government to maintain a marketing office, in addition to the annual Labuan government fees.



Malaysia free zones (FZs)

- A Malaysian FZ company is useful for companies looking to use Malaysia as a gateway to South East Asia;
- Malaysian FZ companies benefit from Malaysia's membership in ASEAN;
- A FZ company in Malaysia is suitable for companies looking to use Malaysia as a regional manufacturing or distribution base with a majority of business conducted outside Malaysia;
- The popular FZs in Malaysia are **i)** Pasir Gudang **ii)** Port Klang **iii)** Kulim Hi-Tech Park **iv)** Port of Tanjung Pelepas and **v)** Bayan Lepas.

Advantages of setting up a company in Malaysia's FZs

- There are low land and utility costs, minimizing operational costs for businesses;
- The FZs have tax free environments including tax exemptions on customs duties, taxable services and imports/exports on selected equipment and raw materials;
- There is an extensive transport network in Malaysia with the proximity of the FZs to deep sea ports, airports, highways, and railways;
- No limits on repatriation of funds.

Limitations of setting up a company in Malaysia's FZs

- Companies must rent a physical office space within the FZ;
- The Malaysian government has established many legal and administrative barriers for conducting business;
- Many FZ activities are subject to approval by the Malaysian government;
- Corruption is rife and contracts are arbitrary as many Port Authorities take advantage of their position to satisfy their personal goals.

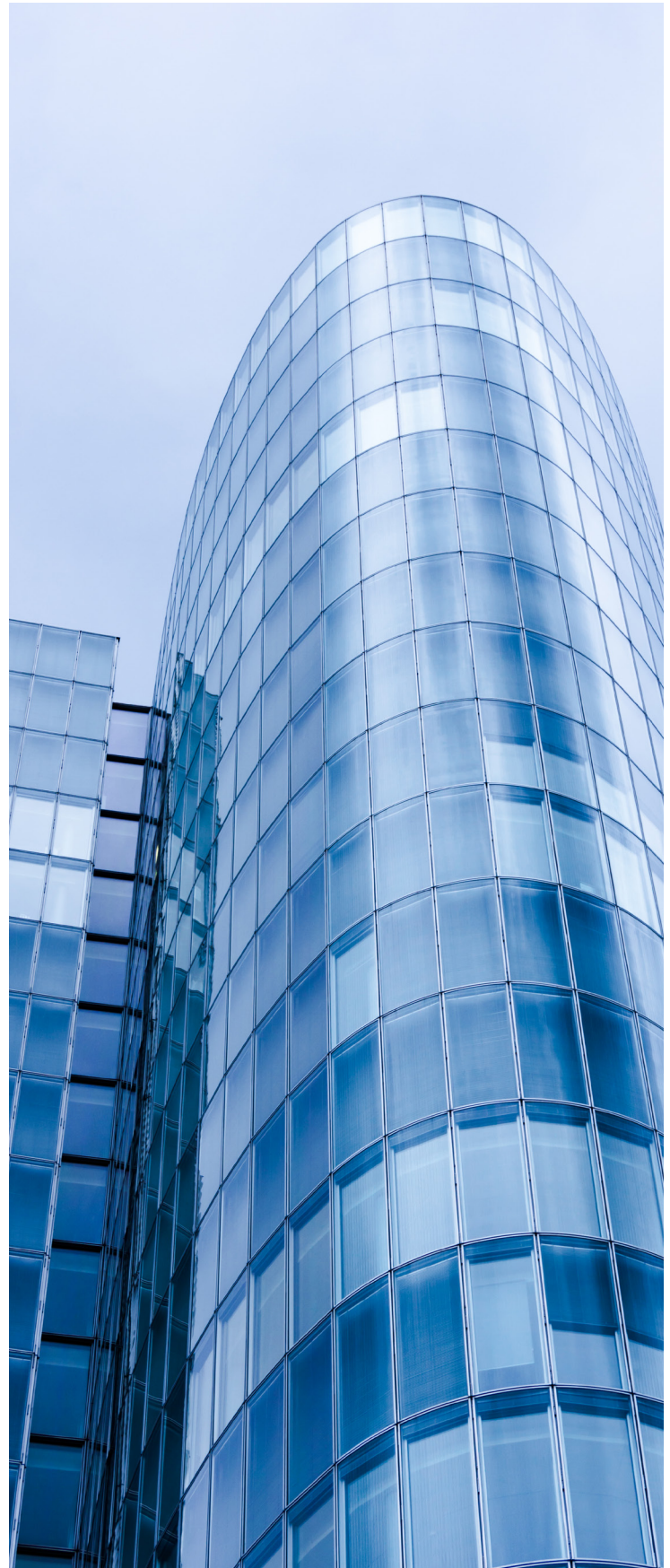


Table of comparison for Malaysia's FZs

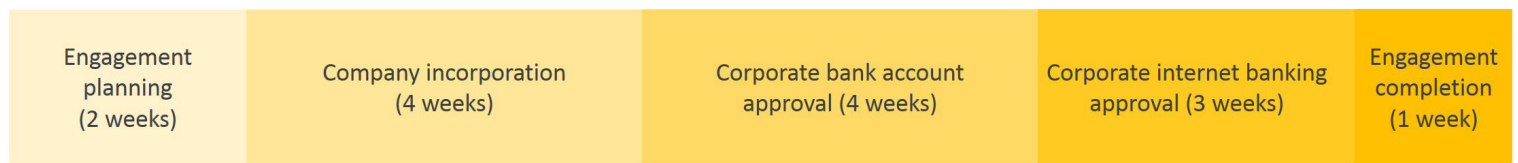
	Port Klang	Pasir Gudang	Port Tanjung Pelepas	Bayan Lepas
Operations and logistics				
Do you need to visit Malaysia for company setup?	No	No	No	No
Allowed to sign sales contracts with local Clients	Yes	Yes	Yes	Yes
Allowed to invoice local Clients	Yes	Yes	Yes	Yes
Physical office space required?	Yes	Yes	Yes	Yes
Allowed to import raw materials?	Yes	Yes	Yes	Yes
Allowed to export goods?	Yes	Yes	Yes	Yes
Accounting and tax				
Corporate tax payable in Malaysia	Dependent on activity	Dependent on activity	Dependent on activity	Dependent on activity
Tax registration certificate required?	Yes	Yes	Yes	Yes
Annual audited financial statements	Yes	Yes	Yes	Yes
Annual tax return to be submitted	Yes	Yes	Yes	Yes
Access to double taxation treaties	Yes	Yes	Yes	Yes
Company law				
LLC company allowed?	Yes	Yes	Yes	Yes
Wholly foreign owned?	Yes	Yes	Yes	Yes
Minimum number of directors	2	2	2	2
Minimum number of shareholders	2	2	2	2
Individual shareholders allowed	Yes	Yes	Yes	Yes
Corporate directors allowed	Yes	Yes	Yes	Yes
Corporate shareholders allowed	No	No	No	No
Public register of shareholders and directors	Yes	Yes	Yes	Yes
Immigration				
Can the entity hire expatriate staff?	Yes	Yes	Yes	Yes
Can apply for immigration visas?	Yes	Yes	Yes	Yes
Fees and timelines				
How long to set the company up?	3 weeks	3 weeks	3 weeks	3 weeks
How long to open corporate bank account?	2 weeks	2 weeks	2 weeks	2 weeks

Steps to incorporate in Malaysia

10 STEPS TO SETTING UP A BUSINESS IN MALAYSIA



Malaysia company incorporation timeline



Total engagement period: 14 weeks

Summary

Despite the few drawbacks of setting up a company in Malaysia such as a 25% tax rate on all corporate profits, 18% VAT requiring quarterly reporting and the need for one resident director, Malaysia is still one of the key investment locations for businesses looking to enter the South East Asian market.

There are many key benefits of setting up in Malaysia including the relatively low operation costs compared to Singapore, access to excellent transport infrastructure, and availability of free zones.

If you are looking to expand your business to Malaysia, it is beneficial to have someone who understands the full business setup process. With experience since 2003 in registering businesses in Malaysia, Healy Consultants can provide Clients with the knowledge and expertise to ease the process of entering the market. Healy Consultants also provides a wide range of support services for your business including resident director services, corporate banking, and tax planning services.

Please visit <http://www.healyconsultants.com/malaysia-company-registration/> for more information.



For further information on setting up a business in Malaysia, please email us at email@healyconsultants.com. Alternatively, you can call us at (65) 6735 0120.

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