Topics of Discussion

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Basic Information

- Located in South East Asia (close to the equator)
Occupies two regions – Peninsular West Malaysia & East Malaysia

Population: 28.3 million (as of 2009)
  - Malays (54%)
  - Chinese (25%)
  - Indian (7.5%)
  - Other (13.5%) – including indigenous people & Eurasians
  - 96% under the age of 65

Official Language - Bahasa Malaysia or Malay language

Official Religion – Islam

GDP – purchasing power parity $308.8 billion

GDP per Capita – purchasing power parity $12,700

Natural Resources :
  - Agriculture – natural rubber, palm oil
  - Forestry
  - Minerals – tin, petroleum
Employment

- Labor force $\rightarrow$ very young
  - Thought to be “diligent, disciplined, educated, and readily trainable”
- Labor cost is very LOW relative to the industrialized countries
- Labor productivity and quality of standards are HIGH
- No national minimum wage
  - Basic wage rates vary from locations and industrial sectors
- Social justice, equity and good conscience used to promote a friendly employer-employee relationship
Hofstede Analysis

- There is a high correlation between the Muslim religion and the Power Distance (PDI) and Uncertainty Avoidance (UAI) scores
Government & Politics

- Federal constitutional elective monarchy
- Founding member of the Association of Southeast Asian Nations (ASEAN)
- Member of the Commonwealth of Nations & Developing 8 Countries
- Legislative power divided between federal and state legislatures
- Executive power resides in the cabinet led by the prime minister
Government Incentives

- Tax incentives provided under the Promotion of Investment Act 1986 & Income Tax Act 1967
  - Some main incentives:
    - Pioneer status
    - Investment tax allowance
    - Reinvestment allowance
    - Industrial adjustment allowance
    - Approved agricultural projects incentives
    - Incentives for approved overseas investments
I.O.F.C.

Federal Territory of Labuan (1990) – launched as International Offshore Financial Center (IOFC)

- Activities include:
  - Offshore banking operations
  - Trust and fund management
  - Offshore insurance and offshore insurance related business
  - Offshore investment holding companies
Exchange Management

- Liberal exchange control system
- Payments made:
  - Within Malaysia – Ringgit (RM)
  - Outside of Malaysia – any foreign currency (except Israel, Serbia, & Montenegro)

<table>
<thead>
<tr>
<th>Currency Conversion for Malaysia</th>
<th></th>
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<tbody>
<tr>
<td>Australia</td>
<td>0.35412</td>
</tr>
<tr>
<td>Euro</td>
<td>0.23939</td>
</tr>
<tr>
<td>United States</td>
<td>0.31149</td>
</tr>
</tbody>
</table>
Banking & Finance

- Bank Negara Malaysia – central bank
  - Supervises the banking system to promote monetary stability
  - To develop a secure and organized financial structure
  - Distributes the Malaysian currency
  - Acts as banker and financial advisor to the government
  - Administers foreign exchange control regulations
International Investment

- Foreign investments are welcomed
  - Sector: Manufacturing
- Double taxation agreements with more than 40 countries
- Investment guarantee agreements with most major industrialized countries
  - Malaysia will NOT seize or nationalize property without timely and adequate compensation
Non-Residents

- Free to make direct and portfolio investments in Malaysia
- Can make transfer of funds abroad
  - Send/bring back capital profits and dividends
  - Fees and royalties
  - Proceeds from the sale of assets in Malaysia
- Non-resident controlled companies (NRCCs) may borrow up to RM (ringgits) 10 million
- Permission is given readily for all foreign loans raised on reasonable terms to finance productive activity in Malaysia
Enterprises

Business may be carried on by:
- An individual operating a sole proprietorship
- Two or more (but no more than 20) persons in partnership
- A locally incorporated company or by a foreign company registered under the conditions of the Companies Act of 1965

Sole proprietorships & partnerships
- Must be registered with the Companies Commission of Malaysia
- Registered **ONLY** by Malaysians who are residents in Malaysia or foreigners who are permanent residents in Malaysia
Companies in Malaysia governed by the Companies Act of 1965

- provides for three types of companies
  1. A company limited by shares
  2. A company limited by guarantee
  3. An unlimited company

Every foreign company must register with the Companies Commission of Malaysia (SSM) within 1 month after establishing a place of business or starts conducting business within Malaysia.
Administration

Company must have:

- At least two directors whose place of residence is in Malaysia
  - Number of directors not limited by law
  - Meetings may be held in or outside of Malaysia
- A company secretary
  - A person licensed by the CCM
- A registered office in Malaysia
  - Keep all books, registers, and documents at that office
- An appointed auditor/firm of auditors
  - Reports to the shareholders on the accounts of the company
- An annual general meeting in each calendar year
Taxes

- Capital gain on removal of chargeable assets → subject to Real Property Gain Tax
  - Chargeable assets include:
    - Real properties situated in Malaysia
    - Shares held in a real property company (RPC)

- Stamp duty is levied on documents under the Stamp Act of 1949
  - Indirect taxes include:
    - Custom duties on import/export of goods
    - Sales & service taxes on goods/services

- Income accumulated in, or resulting from Malaysia, is subject to income tax
• Government’s policy that Malaysians are eventually trained and employed at all levels of employment
  - Foreign companies:
    - Allowed to bring the required personnel in areas of shortage in terms of training
    - Allowed certain key posts to be *permanently* filled by foreigners
Business Practices

• Business meetings – Muslim country, take into consideration prayer times (do not schedule on Fridays → religious day)
• Be punctual – arrive to business appointments/meetings on time
• Vertical hierarchical structure – authority directed from the top (address with proper title)
• Gifts are not usually exchanged – sought as a form of bribery
• Exchange business cards
• Firm handshake
  ➢ Men – always
  ➢ Women – only if she initiates the gesture → otherwise just nod or bow
Thank You

Any Questions?
References/Sources

- http://www.exchange-rates.org/currentRates/A/MYR
- http://en.wikipedia.org/wiki/Malaysia
- http://www.doingbusiness.org/exploreeconomies/?economyid=119