



**ATLAS**  
BY BNP PARIBAS

**CASH MANAGEMENT**

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**BNP PARIBAS**

The bank  
for a changing  
world

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Malaysia is an upper-middle income, highly open economy with a record of strong economic performance and poverty reduction since independence from Great Britain in 1957. Malaysia enjoys significant natural resources, as the second largest oil and natural gas producer in South East Asia, and the second largest exporter of liquefied natural gas globally. Meanwhile, thanks to the diversified structure of its economy, Malaysia has proved its resilience to external shocks. In the period 2015-2019, economic growth was robust and reached 4.9% per year on average. However, in 2020, Malaysia recorded its deepest recession in twenty years due to the COVID-19 pandemic shock. In 2021, real GDP growth is expected to rebound moderately. In the medium term, economic prospects are favourable although Malaysia is highly exposed to rising protectionism and trade tensions given its high degree of openness and its extensive integration in global value chains. In order to elevate potential growth and move Malaysia's GDP per capita closer to that of high-income economies, the government needs to continue to stimulate the participation of women in the workforce and encourage investments in innovation and new technology.

Already weakened before the crisis due to the removal of the Goods and Services Tax in July 2018 (GST), public finances deteriorated further with the COVID-19 crisis. However, despite the high level of debt, refinancing risks have been moderate so far, thanks to abundant domestic savings and a wide range of domestic investors that maintain the government's borrowings costs at a low level. However, the structural decline in the government's revenues and the increase in the burden of gross interest payments have reduced the central government's capacity to provide fiscal support in response to a new, large shock.

On the political front, the situation has become unstable with the unexpected resignation of Mahatir Mohamad in February 2020. In August 2021, Ismail Sabri Yaakob, was appointed as new prime minister, after the resignation of Muhyiddin Yassin (in office during the period March 2020-August 2021). Ismail is the third prime minister in three years. His ruling coalition has still only a small majority in Parliament. Ismail's appointment marks the return of the United Malaysia National Organisation (UMNO), which lost the 2018 general elections, to the country's premiership.

## Summary

### BNP Paribas presence

BNP Paribas has been present in Malaysia since 1974, with 50 employees based in the country. It is one of only a few international banks to hold a full commercial license, which it obtained in 2010. The bank caters for the domestic and international cash management and trade finance requirements of both foreign companies doing business in Malaysia and Malaysian entities seeking to expand their international focus. BNP Paribas Malaysia is also the bank's Islamic banking hub for Asia Pacific.

BNP Paribas is a major player in trade finance throughout Asia, offering a full suite of traditional trade (letters of credit, bankers' guarantee, trade financing, standby letters of credit, etc.) and supply chain financing solutions (receivables purchase programmes, supplier financing etc.) products, including a

unique inventory solution offered through its trade centres in Australia, China, Japan and Singapore, specifically for companies engaged in international trade, as part of a wider network of more than 100 trade centres globally. BNP Paribas has experienced trade finance advisors and personnel who deliver a range of customised trade solutions and advise on local market practices. These solutions are supported by the bank's ISO-certified trade services support team.

## Currency

### Currency

- Malaysian ringgit (MYR)

### Exchange rates

	2016	2017	2018	2019	2020
Exchange rate: MYR per USD	4.1483	4.3005	4.035	4.142	4.20

Source: IMF, International Financial Statistics, June 2021.

### Central Bank

- The Malaysian central bank is Bank Negara Malaysia (BNM - [www.bnm.gov.my](http://www.bnm.gov.my)).

### Bank supervision

- The Malaysian banking sector is supervised by the BNM.

## Bank accounts

## Resident / non-resident status

- A company is considered resident in Malaysia if it is incorporated in Malaysia, registered in the country or if its place of management and control is in Malaysia.

## Bank accounts for resident entities

	Within MALAYSIA	Outside MALAYSIA
Local Currency	Permitted without restriction, convertible with BNM approval for certain transactions.	Not permitted
Foreign Currency	Permitted without restriction, convertible	Permitted without restriction, convertible

## Bank accounts for non-resident entities

	Within MALAYSIA	Outside MALAYSIA
Local Currency	Permitted without restriction, convertible with restrictions	Not permitted
Foreign Currency	Permitted without restriction, convertible with restrictions	Not applicable

## Lifting fees

- Lifting fees are not applied on payments between resident and non-resident accounts.

**BNP Paribas Cash Management Capabilities**



## Collections

Cash collections	<input checked="" type="checkbox"/>
Cheque collections	<input checked="" type="checkbox"/>
Direct debit collections	<input type="checkbox"/>
Domestic incoming transfers	<input checked="" type="checkbox"/>
Virtual IBAN	<input type="checkbox"/>
Virtual accounts	<input checked="" type="checkbox"/>
International incoming transfers	<input checked="" type="checkbox"/>
Card acquiring	<input checked="" type="checkbox"/>

## Payments

Cash withdrawals	<input checked="" type="checkbox"/>
Cheque payments	<input checked="" type="checkbox"/>
Direct debit payments	<input checked="" type="checkbox"/>
Domestic outgoing transfers	<input checked="" type="checkbox"/>
Commercial cards	<input type="checkbox"/>
Virtual cards	<input checked="" type="checkbox"/>
International outgoing transfers	<input checked="" type="checkbox"/>
SWIFT gpi	<input type="checkbox"/>
Real-time international payments through BNP Paribas' network	<input type="checkbox"/>
Card issuing	<input type="checkbox"/>

## Channels

Local e-Banking	
Global e-Banking - Connexis	
SWIFT/ host to host	

## Payments & collections

### Market overview

Traditional payment methods are on the decline in Malaysia as electronic payments, particularly card payments, rise. According to figures from a MasterCard Impact Study 2020, Malaysia leads Southeast Asia in e-wallet use, with 40% take-up compared to 36% in the Philippines. e-wallet transactions in the first ten months of 2020 reached MYR 23.5 billion, up 30% on 2019. e-wallets' market share of digital transactions rose by 5% to 13% during the same period. GrabPay, Boost and Touch 'n Go are leading e-wallet providers. Mobile wallet transactions rose 171% in 2020.

The government has introduced a number of initiatives to encourage the migration to electronic payments. In December 2020, the central bank issued its digital banking framework and is expected to beginning issuing licences through 2021.

Electronic banking services are available from all banks. There is no national electronic banking standard in Malaysia, so companies use bank's proprietary systems. The multibank internet-based payment platform, Financial Process Exchange (FPX), works with banks' individual proprietary systems.

Online and mobile banking services are provided by 30 and 18 banks respectively. At the end of April 2021, there were 114.7 million mobile banking transactions (69.3 million in April 2020), with a value of MYR 63,979 billion (MYR 23,766.9 billion April 2020). The total number of internet banking transactions was 160.5 million (119.8 million in April 2020), with a value of MYR 857.0 billion (MYR 671 billion in April 2020). As of April 2021, the penetration rates for internet and mobile banking were 115.9% and 65.9% respectively.

## Payment Systems

RENTAS	Type	<ul style="list-style-type: none"> <li>• Real-time gross settlement.</li> </ul>
	Participants	<ul style="list-style-type: none"> <li>• 69 direct.</li> </ul>
	Transaction types processed	<ul style="list-style-type: none"> <li>• RENTAS consists of two components:</li> <li>• Interbank Funds Transfer System (IFTS): high-value and urgent MYR-denominated and foreign currency payments (MYR/USA PVP payments via USD CHATS).</li> <li>• Scripless Securities Trading System (SSTS): securities trades.</li> <li>• Net obligations from Malaysia's other payment systems.</li> </ul>
	Operating hours	<ul style="list-style-type: none"> <li>• 08:00-18:00 MYT, Monday to Friday.</li> <li>• 08:00-13:00 MYT, Saturday.</li> </ul>
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> <li>• Payments are cleared and settled in real time.</li> <li>• Cut-off time = 18:00 MYT.</li> </ul>
	System holidays	<ul style="list-style-type: none"> <li>• RENTAS is closed on all Malaysian bank holidays.</li> <li>• Malaysia's bank holidays are:</li> <li>• 2nd half 2021: — July 20*, August 10*, 31, September 9, 16, October 29*, November 5*, December 25</li> <li>• 2022 — January 1, 17, February 1*, 2*, April 18, May 2, 3, 16*, June 6, July 9*, 30*, August 31*, September 16, October 8*, 26*, December 26</li> </ul> <p><i>* The date shown may vary by plus or minus one day. These dates are derived by converting from a non-Gregorian calendar (e.g., Muslim or Hindu) to the Gregorian calendar. Some of these dates cannot be determined in advance with absolute accuracy, even by the governing authorities. In the case of Muslim dates in particular, the feast days are determined by the sighting of a new/full moon.</i></p>
IBG	Type	<ul style="list-style-type: none"> <li>• <a href="#">Net settlement system.</a></li> </ul>
	Participants	<ul style="list-style-type: none"> <li>• 42 banks.</li> </ul>
	Transaction types processed	<ul style="list-style-type: none"> <li>• Low-value electronic payments.</li> </ul>
	Operating hours	<ul style="list-style-type: none"> <li>• See Clearing cycle details.</li> </ul>
	Clearing cycle details (e.g. cut-off times)	<ul style="list-style-type: none"> <li>• Payments can be settled on a same-day basis.</li> <li>• Monday to Friday cut-off time = 17:00 MYT.</li> <li>• Saturday cut-off time = 09:00 MYT.</li> <li>• Final settlement takes place via RENTAS.</li> </ul>



	System holidays	<ul style="list-style-type: none"> <li>• IBG is closed on Malaysian bank holidays. (Dates as above)</li> </ul>
eSPICK	Type	<ul style="list-style-type: none"> <li>• <a href="#">Net settlement system</a>.</li> </ul>
	Participants	<ul style="list-style-type: none"> <li>• 45 direct.</li> </ul>
	Transaction types processed	<ul style="list-style-type: none"> <li>• Cheques and paper-based payments which are truncated into electronic items before being processed.</li> </ul>
	Operating hours	<ul style="list-style-type: none"> <li>• 08:30-21:00, MYT Monday to Friday.</li> </ul>
	Clearing cycle details (e.g. cut off times)	<ul style="list-style-type: none"> <li>• Payments submitted to eSPICK before 16:00 MYT are settled on a same-day basis.</li> <li>• Individual banks set their own cut-off times.</li> <li>• Final settlement takes place via RENTAS.</li> <li>• Funds are available on a next-day basis.</li> </ul>
	System holidays	<ul style="list-style-type: none"> <li>• eSPICK is closed on Malaysian holidays. (Dates as above)</li> </ul>

## Credit transfers

- Credit transfers are used by large companies to pay salaries and suppliers, and to make tax and treasury payments.
- High-value and urgent credit transfers can be settled in real time via the IFTS component of RENTAS. MYR/USD PVP settlement is facilitated via USD CHATS.
- Low-value and non-urgent credit transfers can be settled on a same-day basis via the IBG.
- Credit transfers can also be made in real-time via Instant Transfer (IBFT). Payments can be made via ATM, online or by mobile and are processed directly between the 20 banks that currently offer the service.
- Cross-border transfers can be made via SWIFT and settled through correspondent banks abroad.

## Direct debits

- Direct debits are used for regular payments, such as utility bills, but are also available for one-off retail transactions.
- PayNet Debits and FPX online direct debits available. There is also a JomPAY electronic bill payment scheme operated by PayNet. There are 42 participating banks in JomPAY.
- Direct debits are cleared on a real-time basis.

## Cheques

- The cheque remains a common cashless payment instrument used by both consumers and companies. In 2020, PayNet processed 84.5 million cheque transactions (a 29.5% reduction from 2019) amounting to MYR 1.46 trillion.
- Cheques are truncated into electronic items before being processed by eSPICK.
- Final settlement takes place via RENTAS.
- Funds are available on a same-day or next-day basis.

## Card payments

- Card payments are increasingly popular, especially for retail transactions. Credit cards remain the most widely used payment card. At the end of April 2021, there were 46.7 million credit card transactions (26.4 million in April 2020), with a value of MYR 11.7 billion (MYR 6.2 billion in April 2020). Debit card transactions numbered 59.8 million (26.5 million in April 2021), with a value of MYR 6.9 billion (MYR 2.7 billion in April 2020). All debit cards support contactless payments.
- There are 47,290.6 thousand debit and 9,641.4 thousand credit cards in circulation at the end of April 2021. There were 65,000 charge cards.
- Visa and MasterCard-branded payment cards are the most widely issued. Twenty-five banks issue credit cards and 30 banks issue debit cards.
- Domestically issued debit cards, known as e-debits, are also widely available. MyDebit is the domestic debit card scheme, facilitating POS payments with an ATM card.
- PayNet payments are settled in real time.
- All cards issued have EMV chips.

## ATM/POS

- There are an estimated 19,000 ATMs in Malaysia.
- There were 739,043 POS terminals in Malaysia at the end of April 2021.
- There are two shared ATM networks: SAN and HOUSE. Fourteen domestic banks seven foreign banks participate in SAN.
- The HOUSE ATM network links the ATMs of four large foreign banks: HSBC, OCBC, Standard Chartered and United Overseas Bank.
- Payments are processed by PayNet and settled via RENTAS on a next-day basis.
- All ATMs and POS terminals are EMV-compliant.
- Malaysia had fully migrated from signature to Personal Identification Number (PIN) verification for payment card transactions conducted at POS terminals.

## Electronic wallet

- There are 48 non-bank providers of e-money cards.
- The dominant electronic wallet schemes are Touch 'n Go, Boost and GrabPay.
- In 2019, there were 2,093 million e-money transactions (1,920 million in 2018) with a value of MYR 18.2 billion (MYR 11 billion 2018). There were 93.5 million e-money cards in circulation at the end of 2019.
- There are approximately 119,467.6 thousand e-money cards in circulation.
- Mobile payments are increasingly popular. PayNet's DuitNow QR is the national QR standard.
- Instant P2P payments can be made via PayNet's DuitNow using just a mobile number, for example. Payments are made in real time via PayNet's real-time retail payment platform. Consumers may transfer up to MYR 50,000 per transaction. For companies the maximum is MYR 10 million per transaction.
- The FPX payment system can be used to facilitate online transactions and e-commerce purchases. For individuals, the maximum value of each transaction in MYR 30,000 and for companies MYR 1 million.

## Short term investments

## Market overview

### Interest payable on credit balances

- Current accounts are typically non-interest bearing, although some banks do offer interest-bearing current accounts, subject to conditions.

### Demand deposits

- Demand deposits denominated in MYR or major foreign currencies are available for terms up to 60 months.

### Time deposits

- Time deposits are available in MYR or major foreign currencies for terms up to 60 months.

### Certificates of deposit

- Domestic banks issue certificates of deposit with terms ranging from one month to one year. They can be issued paying fixed or variable interest.

**Treasury (government) bills**

- The BNM issues both conventional and Islamic finance Treasury bills for terms of three, six and 12 months.
- The BNM also issues monetary notes (BNMNs) with terms up to three years.

**Commercial paper**

- Domestic commercial paper is issued by companies. Most paper is issued for one month, although terms up to 12 months are permitted.

**Money market funds**

- Money market funds are available as conventional and Islamic (sharia-compliant) short-term investment instruments.

**Repurchase agreements**

- Repurchase agreements are available with maturities ranging from one day to five years.

**Banker's acceptances**

- Banker's acceptances are widely available in Malaysia, with terms ranging from 21 to 365 days.

**BNP Paribas Trade Finance Capabilities**

**Trade payments**

Documentary credits	✓
Documentary collections	✓

## Guarantees

Bank guarantees	✓
Standby letters of credit	✓

## Supply chain management

Receivables	✓
Payables	✓
Inventory	●

## Trade channels

Connexis Trade	✓
Connexis Supply Chain	✓
SWIFTNet Trade for Corporates	●
Connexis Connect	✓
	●
	●

- BNP Paribas' Global Trade Solutions (GTS) team in Malaysia comprises a senior trade manager and plans are in place to further expand capabilities in the country. The team, supported by regional trade advisors in Hong Kong, serves some of the largest names in the manufacturing and mining sectors.

### General trade rules

- As a member of the Association of Southeast Asian Nations (ASEAN), Malaysia has entered into the ASEAN Trade in Goods Agreement (ATIGA) between member states (Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam). Malaysia is also a member of the ASEAN Free Trade Area (AFTA) and is committed to reducing and eliminating tariffs between members.
- As a member of the Asia-Pacific Economic Cooperation (APEC) forum, Malaysia has agreed to liberalise trade and investment rules between members.
- As a signatory to the D-8 Preferential Tariff Agreement, Malaysia has agreed to reduce tariffs on trade between member states (Bangladesh, Indonesia, Iran, Malaysia, Egypt, Nigeria, Pakistan and Turkey).
- Malaysia is a signatory to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Malaysia has not yet ratified the agreement.

### Trade agreements

- Malaysia has signed free trade agreements (FTAs) with Australia, Chile, India, Japan, New Zealand, Turkey and Pakistan.
- ASEAN has signed FTAs with Australia, China, Japan, India, Hong Kong, New Zealand and South Korea.
- Malaysia and ten other Pacific Rim countries have signed the renamed Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The agreement has not yet been ratified.
- Malaysia is a signatory of the Regional Comprehensive Economic Partnership (RECP). The agreement has not yet been ratified.
- Malaysia is currently in negotiations with EFTA member states.

### Imports / exports

Imports	Integrated circuits	Refined petroleum	Crude petroleum	Broadcasting equipment	Coal	
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Primary Import sources	China (24.0%)	Singapore (14.0%)	Japan (6.0%)	USA (6.0%)	Taiwan (5.0%)	Thailand (5.0%)
Exports	Integrated circuits	Palm oil	Refined petroleum	Natural gas	Semiconductors	
Export markets	Singapore (13.0%)	China (13.0%)	USA (11.0%)	Hong Kong (6.0%)	Thailand (5.0%)	

## Import / export volumes

	2016	2017	2018	2019	2020
- goods USD m	165,520	186,586	205,655	196,840	185,514
- services USD m	35,601	37,116	40,231	40,991	21,859
- goods USD m	140,986	159,270	177,230	167,057	152,307
- services USD m	40,145	42,444	44,231	43,624	33,283
Current account as % GDP	2.4	2.9	2.5	3.4	NA

Sources: IMF, International Financial Statistics, June 2021.

## Trade finance - Imports

## Documentation

- The following documentation is required in order to import goods into Malaysia:

- customs declaration
- commercial invoice
- certificate of origin
- bill of lading
- packing list.

## Import licences

- Licences are required when importing all controlled goods.
- Licences are required when importing certain items for reasons of copyright and environmental protection and public safety.
- Licences are issued by a number of authorities, including the Ministry of International Trade and Industry (MITI).

## Import taxes and tariffs

- Malaysia's tariffs are typically imposed on an ad valorem basis, with a simple average applied tariff of 6.1% for industrial goods.
- Goods such as alcohol, wine and pork are charged higher effective rates (up to 60% ad valorem).

## Financing requirements

- Resident companies are permitted to obtain import-related foreign currency credit facilities from non-residents up to MYR 100 million, or its foreign currency equivalent.

## Risk mitigation

- None

## Prohibited imports

- Prohibited imports are published on a negative list.



### Documentation

- The following documentation is required in order to export goods from Malaysia:
  - export declaration
  - commercial invoice
  - certificate of origin
  - packing list
  - bill of lading.
- The Malaysian Rubber Exchange and Licensing Board requires a certificate for the export of rubber from peninsular Malaysia.
- The Department of Fisheries may require a certificate of health, certificate of sanitation and a certificate of origin for the export of live fish.

### Export licences

- Licences are required when exporting all controlled goods.
- Licences are required for items that are subject to government monitoring in order to prevent domestic shortages.
- Licences are issued by a number of authorities, including the Ministry of International Trade and Industry (MITI).
- The Federal Agricultural Marketing Authority (FAMA) is responsible for endorsing exports of vegetables.

### Export taxes and tariffs

- Export taxes are levied on selected commodities.

### Financing requirements

- Resident companies are permitted to obtain export-related foreign currency credit facilities from non-residents up to MYR 100 million, or its foreign currency equivalent.

## Risk mitigation

- Export-Import Bank of Malaysia (Exim Bank), Malaysia's national export credit agency, provides state supported export credit insurance and financing.
- Export credit insurance is also available from private insurance companies.
- Export financing is available privately from commercial banks.

## Prohibited exports

- Prohibited exports are published on a negative list.

## Regulatory requirements

## Reporting regulations

- The BNM selects resident companies to report on a monthly basis. Selected resident companies must provide details of payments to non-resident bank accounts, receipts from non-resident bank accounts and information about foreign bank accounts with non-resident banks.
- Resident companies may also be selected to submit International Investment Position (IIP) statements on a quarterly basis, which detail non-resident-related external assets and liabilities.
- Domestic transactions made between resident and non-resident bank accounts must be reported to the BNM on a monthly basis.
- Resident entities with annual gross exports exceeding MYR 250 million equivalent in the preceding year, must submit quarterly reports to the BNM within 21 days after the end of each quarter.
- All transactions between residents and non-residents effected through the domestic banking system must be reported to the BNM on a monthly basis.

### Reporting method

- Banks report domestic transactions in excess of MYR 200,000 between residents and non-resident entities to the BNM on an individual basis.
- Banks report transactions up to MYR 200,000 in their consolidated bulk payments and receipts.

- Banks submit reports on behalf of their customers, although the resident entity is ultimately responsible for compliance.
- Quarterly reports for exporters are submitted 21 days after the end of each reporting quarter.
- Reports are filed online using the BNM's International Transactions Information System.

## Exchange controls

- Exchange controls are administered by the BNM.
- Exporters are permitted to retain up to the equivalent of MYR 200,000 in exports proceeds in foreign currency. The exporter shall repatriate the export proceeds to Malaysia in full value within six months from the date of shipment.
- The equivalent of USD 10,000 in domestic currency may be imported/exported to and from Malaysia freely. Above this sum, permission must be obtained from the BNM. Foreign currency may also be freely exported and imported by residents and non-residents without restriction.
- Settlement for goods and services in MYR from a resident to a non-resident must be made to the non-resident's external account. Payments or receipts from or into an external account is allowed provided that the non-resident is able to produce documentary evidence that the purpose of transaction complies with relevant FE Notices in accordance with onshore banks' internal due diligence process.
- A resident company may borrow the foreign currency equivalent of MYR 100 million, in aggregate, from non-resident companies and non-resident financial institutions for use in Malaysia. A resident is free to borrow up to MYR 1 million in domestic currency from a non-resident, other than a non-resident financial institution, for use in Malaysia.
- A non-resident is free to obtain foreign currency borrowing from any licensed onshore bank for use in or outside Malaysia.
- Malaysia and Thailand have launched a local currency settlement framework for the settlement of MYR and Thai Baht (THB). The framework will make the process of obtaining THB in Malaysia and MYR in Thailand to settle import/export trade accounts much more efficient. The framework also covers MYR and THB-denominated financial services, such as deposits and foreign-exchange hedging.

## Taxation

### Resident / non-resident

- A company is resident if management and control are exercised in Malaysia at any time during the basis year of assessment by its directors or another controlling authority.

## Tax authorities

- Inland Revenue Board (IRB).
- Royal Customs Department.

## Tax year/filing

- The corporation tax assessment is generally based on the company's accounting year on a current year basis.
- Under self-assessment, all companies are required to produce estimates of tax payable at least 30 days before the beginning of the basis period for a year of assessment. Companies are required to pay their estimated tax in equal monthly instalments based on the number of months in the basis period. Each instalment is payable by the tenth day of every month commencing from the second month of the basis period.
- A tax return must be filed within seven months of the company's year-end.
- Consolidation is not permitted; each company is required to file a separate tax return. However, subject to certain conditions, 70% of a company's adjusted loss may be used to offset profits of a related entity.

## Financial instruments

- There are no specific tax rules in Malaysia that depart from general tax principles to determine the tax treatment of financial instruments, except for the 'Guidelines on the Income Tax Treatment from Adopting FRS 139 – Financial Instruments: Recognition and Measurement' issued by the Ministry of Finance. These are only applicable to financial institutions regulated by BNM that are licensed pursuant to the Financial Services Act 2013 and Islamic Financial Services Act 2013.

## Interest and financing costs

- Apart from transfer pricing and thin capitalisation rules, interest expenses are generally deductible for tax purposes as long as the money borrowed is:
  - Employed in the production of gross income; or
  - Employed to acquire assets used or held for the production of gross income.
- Restrictions on the deductibility of interest are applicable where borrowings are wholly, partly, directly or indirectly used for non-trade or investment purposes.

## Foreign exchange

- Malaysia does not have specific rules for the taxation of foreign exchange conversions. Generally, foreign exchange gains or losses arising from capital transactions are ignored for tax purposes, whereas foreign exchange gains or losses arising from revenue transactions (trade) are taxed or claimed upon realisation.

## Advance tax ruling availability

- There is a specific provision in the Malaysian Income Tax Act that allows the Malaysian tax authorities to make a public ruling on the application of any provision of the Malaysian Income Tax Act in relation to any person or class of persons, or any type of arrangement, at any time.
- An advance ruling system allows a person to request an advance ruling from the Malaysian tax authorities on the application of any provision of the Malaysian Income Tax Act to that person and a particular type of arrangement.
- Taxpayers may request an advance ruling on the tax treatment of a specific transaction. Public rulings also are issued by the authorities from time to time.

## Capital gains tax

- There is no capital gains tax in Malaysia.
- However, any gain on the disposal of real properties or shares of a real property company (RPC) will attract real property gains tax (RPGT). An RPC is a controlled company which owns or acquires real properties or shares in another RPC with a market value of not less than 75% of its total tangible assets. A controlled company is a company which does not have more than 50 members and is controlled by five or fewer persons.
- The effective RPGT rate on chargeable gains of any person arising from the disposal of real property and shares in a real property company are:

Period from acquisition date to disposal date (years)	Effective RPGT rate (%)
Within 3 years after the date of acquisition	30
In the 4th year	20
In the 5th year	15
In the 6th year and subsequent years	10

## Withholding tax (subject to tax treaties)

Payments to:	Interest	Dividends	Royalties	Other income
Resident entities	None	None	None	None
Non-resident entities	15%*	None	10%	10%**

\* A withholding tax of 15% applies to interest paid to a non-resident, unless the rate is reduced under a tax treaty. However, interest paid to a non-resident by a bank operating in Malaysia is exempt from tax, except for interest accruing to the non-resident's place of business in Malaysia and interest paid on funds required to maintain "net working funds", as prescribed by the central bank. Certain other interest paid to a non-resident also may be exempt.

\*\* A 10% withholding tax is levied on fees for certain services rendered by non-residents if the services are performed in Malaysia and payment for rental for moveable property unless the rate is specifically reduced or eliminated under a tax treaty. Payments such as commission and guarantee fees made to non-residents attract withholding tax at 10% irrespective of whether the services are rendered in Malaysia or not, unless such income constitutes, amongst other things, gains or profits from a business of the non-resident.

A 10% withholding tax applies to the rental of movable property, installation fees for services rendered in Malaysia and certain one-time income paid to non-residents, unless the rate is reduced under a tax treaty.

\*\*\* No withholding tax is levied on branch profits when they are repatriated to a head office outside Malaysia.

## Tax treaties / tax information exchange agreements (TIEAs)

- Malaysia has concluded over 70 income tax treaties.
- Malaysia signed the MLI on 24 January 2018.

## Thin capitalisation

- Earnings stripping rules (ESR) are applicable to the basis periods from 1 July 2019. The ESR is in line with the OECD recommendations under the BEPS action 4 to address tax leakages due to excessive interest deductions on loans between related companies. Under the rules, interest deductions on loans between companies in the same group are limited based on a 20% EBITDA.

## Transfer pricing

- Transfer pricing rules apply.
- Companies are allowed to apply for an advance pricing arrangement (APA) from the Malaysian tax authorities. The APA determines the transfer pricing methodology to be used in any future apportionment or allocation of income or deduction to ensure the arm's-length nature of a cross-border transaction with an associated person. The Malaysian tax authorities have issued Advance Pricing Arrangement Guidelines that explain the procedural and administrative requirements of the legislation on APA.
- Country-by-country (CbC) reporting has been introduced. A reporting entity (i.e. a Malaysian ultimate parent entity or surrogate parent entity of a multinational group with total consolidated group revenue of MYR 3 billion or more in the financial year preceding the reporting financial year) must file a CbC report for the entire financial year no later than 12 months from the close of the reporting entity's financial year.

## Stamp duty

Stamp duty is levied at rates between 1% to 4% of the value of property transfers, and 0.3% on share transaction documents.

## Cash pooling

- There are no specific tax rules dealing with cash pooling arrangements; general principles apply.

## Financial transactions / Banking services tax

- There are no specific financial transactions or banking services tax rules in Malaysia.

*All tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight 2021 ([www.deloitte.com](http://www.deloitte.com)).*



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