

# MALAYSIA

Malaysia - Mixed (Common and Sharia law)

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## Incorporating a company in Malaysia

# Malaysia taxes

If you want to do business in Malaysia, you have to know about taxation for a LTD which is the most common legal entity in Malaysia.

Malaysia taxes resident entities on a territorial basis. This means that usually income earned outside the country, from our research, but seek professional advice, is not subject to taxation, regardless of whether such income is received in Malaysia. Those entities carrying out activities in banking, insurance, air transport or shipping sectors are subject to taxation on their worldwide income. The headline corp. tax rate in Malaysia is 24%. Certain SMEs may be taxed at a reduced rates. Malaysia ranks as 98th overall with regards to corporate tax rate worldwide. Companies incorporated in the federal territory of Labuan may elect to pay a fixed amount of MYR 20,000 or be taxed at 3% of its profits.

The value added tax (VAT) rate in Malaysia is 6.00%, which ranks Malaysia as 33rd overall with regards to VAT taxation rate internationally. In terms of other taxation, an employer will contribute 13% to the equivalent of a social security fund and an employee will contribute 11%. The overall complexity of the tax system is medium. This is measured by average time to comply with a country's labor tax requirements is as it is 77hours. Contributing to this is the number of yearly labor tax payments, which is 1 in MY.

Thin cap standards are in play. Thin capitalisation refers to any sort of laws on given company with respect to debt-to-asset ratios.

Dividends received are usually tax exempt in Malaysia. Dividends are payments of earnings of the legal entity, decided by the board, to shareholders. Dividends can be either stock, cash, or property.

Malaysia does not levy tax on capital gains, except for those derived from the sale of real property or from the sales of shares of a real property company. Taxes ranges from 5% to 30%, depending on the years which the property has been held prior the sale. A capital gains tax is levied on the profits that a corporation or natural person realizes when he or she sells a capital asset for a price that is higher than the purchase price.

Dividends are not subject to withholding tax. This means that dividends paid to non-residents are not subject to taxation. The interest withholding tax rate is estimated at 15%. Which means that the relevant tax authorities expects legal entities to withhold 15% of interest payments abroad. However, interest paid by a Malaysian bank may be tax-exempt. The royalties withholding tax rate is 10%. This means that the relevant tax authorities expects companies to pay tax on 10% of royalties paid to non-residents.

There is no known tax on wealth and inheritance taxes in Malaysia. There are real property tax and capital duties in Malaysia. There are widely tax allowances and income exemptions covering the major industry sectors in Malaysia.

The above is not tax or legal advice for your company facts and circumstances. We can help you to find a lawyer in Malaysia who will advise you. Ready to get started? Click incorporate now if you are in a hurry, or press the free consultation button above.

The vat rate in Malaysia is 6% which ranks 33 in the world.

- ✗ Patent box
- ✓ RND credit
- ✗ Wealth tax
- ✓ Estate tax
- ✗ Transfer taxes
- ✗ Asset taxes
- ✓ Capital duties

- 73 Tax treaties
- 0% Offshore Tax
- 24% Corp rate
- Loss carryback years
- 26 Corporate time
- 6% VAT rate

# Malaysia Legalese

For starters, the law in Malaysia is mixed (common and sharia law) law. You will want to get some local advice as to how to best structure a company in Malaysia. E-signatures are allowed.

The letters MY is for Malaysia and the most common company type structure in Malaysia is a LTD.

When setting up, budget about 5 Days to setup a LTD in MY. The minimal capitalization is 0, This means you don't have any minimum share capital. The types of currencies you can use to fund your legal entity is frequently any legal tender.

Yes, one is allowed to re-domicile a LTD from MY. You are usually allowed to change the jurisdiction of the company, pending certain procedures.

There must be at least This means it is not possible for you to own a LTD in Malaysia as a sole shareholder. You must have other shareholders, they can be nominees or de facto shareholders. Corporate Shareholders are encouraged, which means you can have a corporate shareholder. Foreign ownership is permitted, up to 100% of the total shareholding.

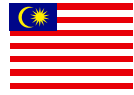
There is a requirement to have at least 2 directors. Additionally, corporate directors are not permitted. Directors should not expect to be private, as they are disclosed. There is a body of law which requires companies to hold an annual meetings of shareholders.

A registered office is a requirement, whom the company will pay yearly, for a professional firm which can receive any official legal correspondance on behalf of the company. Moreover, a corporate secretary is a requirement.

There is a legal obligation to file accounts on a yearly basis. On that note, there is oftentimes a requirement to have these accounts audited.

Overall we think Malaysia is a good option and have given it a score of 78 as an IO score, using the Incorporations.IO proprietary formula.

- ✗ **Directors not disclosed in a public registry**
  - ✗ **Shareholders not disclosed in a public registry**
  - ✓ **Redomiciliation permitted**
  - ✓ **Registered office required**
  - ✗ **Corporate director permitted**
  - ✓ **Local Secretary not required**
  - ✗ **Local Director not required**
  - ✓ **Electronic signature**
- 2 Shareholders required**
  - 2 Directors required**
  - 5 Days to form**



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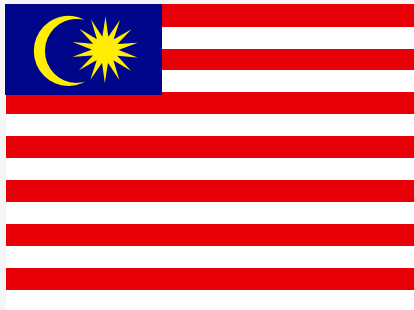
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## Country Info



🏳️ National Flag of

**Malaysia (eng)**

**مليسيا (msa)**

\$ Currency

**MYR**

☎ Area Code

**+60**

🏛 Capital

**Kuala Lumpur**

📍 Region

**South-Eastern Asia**

🗣 Native Languages

**English**

**Malay**