A GUIDE TO DOING BUSINESS WITH

MALAYSIA

the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

towards full-scale industrialisation and inclusive growth

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Contents

Introduction....4
Country at a glance 6
Public holidays....6
Geography and Climate 8
Visa requirements....8
Infrastructure 13
Main exports and imports in 2018 17
Economic overview....17
Security....25
Doing Business....26
Sector opportunities....34
Key contacts....37
Useful websites 38

Introduction

Malaysia is strategically located in the heart of Southeast Asia, one of the world's fastest-growing regions. Situated between the Indian Ocean and the South China Sea, Malaysia is well-serviced by all major air and shipping lines. This easy access to the rest of the world has today made Malaysia an attractive centre for trade, investment and tourism.

Malaysia's capital city, Kuala Lumpur, is undoubtedly one of Asia's most exciting and vibrant cities. Among the towering skyscrapers are remnants of Kuala Lumpur's rich past in the form of pre-war structures, providing an interesting contrast of two different eras.

Malaysia's cosmopolitan population of 32 million is a unique mix of some of the world's oldest civilisations – the Malay, Chinese and Indian civilisations. This has blessed the nation with a rich cultural heritage and made Malaysia an outstanding example of a harmonious, multi-religious and multi-racial society.

The Malaysian economy is expected to see positive growth moving into 2019, at 4.9%, after registering a gross domestic product (GDP) growth of 4.7% in 2018. Manufactured goods, particularly electrical and electronic products, are the major contributors to the nation's GDP. The Malaysian economy has performed remarkably well over the years due to the country's political stability, the sound financial and economic policies adopted by the government, and the efficient management of its natural resources, which include oil and gas. In addition, the more impressive fact that economic growth in Malaysia was achieved within an environment of relatively low inflation.

Thani
THAILAND
Mekong
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Dawei
CAMBODIA
Phnom
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Trang
Mindoro
China
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Ho Chi Minh
City
Sea
Palawan
Gulf of
Thailand
Can Tho
SPRATLY
ISLANDS
Sulu
Phuket
Hat Yai
Kota
Baharu
Zamb
Kota
Kinabalu
George
Town
Kuala Terengganu
Bandar Seri
Begawan
Sandaka
Strait of Malacca
MALAYSIA
BRUNEI
Tawau
Ipoh
Kuantan
KEPULAUAN
NATUNA
Medan
Kuala Lumpur
MALAYSIA
Sibu
Johor
Bahru
Singapore
Kuching
Borneo
SINGAPORE
Pekanbaru
Pontianak
Padang
Selat Karimata
Samarinda
Makassar Strait
Sumatra
Pulau
Bangka
lau Siberut
KEPULAUAN
MENTAWAI
Palembang
Sula
Billiton
Banjarmasin
Tanjungkarang-
Telukbetung
Java Sea
Jakarta
INDON

Country at a glance

Population	32.4 million (2018)
Languages	Bahasa Malaysia (Malay) is the national language. Other languages include English, Chinese and Tamil. English is widely used in the country.
Capital	Kuala Lumpur (population: 1.8 million, 2017)
Time Zone	GMT +08:00
Flight for South Africa	No direct flights from Kuala Lumpur to South Africa.
Form of Government	System of Parliamentary democracy with constitutional monarchy. It has three branches of government – the Executive, the Legislature and the Judiciary
Total GDP	US$307 billion (2018)
GNI Per Capita	US$10,718 (2018)
GDP Growth Rate	4.8% (2018)
Inflation	1.5 – 2.5% p.a. (2018)
Currency	Ringgit Malaysia (MYR)
US$ Exchange Rate	Official rate: IRR25.4 = $1 Unofficial rate: IRR33 = $1

Public holidays

Date	**Holiday**
1 Jan	New Year
5 Feb	Chinese New

6 Feb	Chinese New Year 2nd Day
1 May	Labour Day
19 May	Wesak Day
20 May	Wesak Day Holiday
22 May	Nuzul Al-Quran
5 June	Hari Raya Aidilfitri
6 June	Hari Raya Aidilfitri 2nd Day
11 Aug	Hari Raya Haji
12 Aug	Hari Raya Haji Holiday
31 August	National Day
1 September	Awal Muharram
2 September	Awal Muharram Holiday
9 September	Agong’s Birthday
16 September	Malaysia Day
27 October	Deepavali
28 October	Deepavali Holiday
1 November	Prophet Muhammad’s Birthday
25 December	Christmas

Geography and Climate

Situated in the midst of the Asia Pacific region, Malaysia covers an area of 330,323km² and lies entirely in the equatorial zone. The country is made up of two regions, Peninsula Malaysia and East Malaysia across the South China Sea (as shown in the map above). The Peninsula Malaysia is divided into the East Coast and West Coast, which comprises 11 states, i.e. Perlis, Kedah, Pulau Pinang, Perak, Selangor, Negeri Sembilan, Melaka, Johor, Pahang, Kelantan, Terengganu as well as the Federal Territories of Kuala Lumpur and Putrajaya, the states of Sabah and Sarawak in East Malaysia and the Federal Territory of Labuan off Sabah.

Malaysia has a tropical rainforest climate, which is categorised as equatorial, being hot (25oC – 35oC) and humid (70% – 90%) throughout the year. The average rainfall is 250cm per year (500cm per year in East Malaysia). Malaysia faces two monsoon wind seasons, the Southwest Monsoon from April to September and the Northwest Monsoon from October to March.

Visa requirements

A visa is an endorsement in a passport or other recognised travel document of a foreigner indicating that the holder has applied for permission to enter Malaysia and that permission has been granted.

Foreign nationals who require a visa to enter Malaysia must apply and obtain a visa in advance at any Malaysian Representative Office abroad before entering the country.

Visa requirement by countries are as follows:

Countries that require visa

Afghanistan *	Guinea-Bissau
Angola	Hong Kong (Certificate of Identity or Document of Identity)
Bhutan	India
Burkina Faso	Liberia
Burundi	Mali
Central African Republic	Myanmar (normal passport)
China	Nepal
Colombia	Niger
Congo Democratic Republic	Rwanda
Congo Republic	Republic of Serbia and Republic of Montenegro
Cote D'Ivoire	Sri Lanka
Djibouti	Taiwan
Equatorial Guinea	United Nations (Laissez Passer)
Eritrea	Western Sahara
Ethiopia	

Commonwealth countries that require visa

Bangladesh	Mozambique
Cameroon	Nigeria
Ghana	Pakistan

Countries that require visa for stay exceeding three months

Albania	Lebanon
Algeria	Liechtenstein
Argentina	Luxembourg
Australia	Morocco
Austria (Vienna)	The Netherlands
Bahrain	Norway
Belgium	Oman
Bosnia-Herzegovina	Peru
Brazil	Poland
Croatia	Qatar
Cuba	Romania
Czech Republic	St. Marino
Denmark	Saudi Arabia
Egypt	Slovakia
Finland	South Korea
France	Spain
Germany	Sweden
Hungary	Switzerland
Iceland	Tunisia
Ireland	Turkey
Italy	Turkmenistan
Japan	United Arab Emirates

Jordan	United Kingdom
Kirgystan	Uruguay
Kuwait	Yemen
Kyrgyz Republic	

Countries that require visa for stay exceeding 1 month

St. Marino	Madagascar
Azerbaijan	Maldova
Barbados	Mauritania
Belarus	Mexico
Benin	Monaco
Bolivia	Mongolia
Bulgaria	Nicaragua
Cambodia	North Korea
Cape Verde	North Yemen
Chad	Panama
Chile	Paraguay
Costa Rica	Portugal
Equador	Russia
El Savador	Sao Tome and Principe
Estonia	Senegal
Gabon	Slovenia
Georgia	Sudan
Greece	Surinam
Guatemala	Tajikistan

Guinea Republic	Togo
Haiti	Ukraine
Honduras	Upper Volta
Hong Kong SAR	Uzbekistan
Kazakhstan	Vatican City
Latvia	Venezuela
Lithuania	Zaire
Macao SAR	Zimbabwe
Macedonia	

Countries that require visa for stay exceeding 14 days

Iran	Palestine
Iraq	Sierra Leone
Libya	Somalia
Macao (Travel Permit/Portugal Certificate of Identity)	South Yemen
	Syria

Note:

* Visa with reference, i.e. with the approval of Malaysia's Immigration Department, is required.

For nationals of the United States, no visa is required for social, business or academic purposes visits (except for employment).

For nationals of Israel, visas are required and prior permission must be obtained from Malaysia's

Ministry of Home Affairs. Visas without permissions are required for nationals of the Republic of Serbia and Republic of Montenegro.

For nationals of ASEAN countries (except Myanmar), no visa is required for a stay less than one month. A visa will be required for a stay exceeding one month (except for nationals of Brunei and Singapore).

Nationals from countries other than those stated above (except Israel) are allowed to enter Malaysia without visas for social visits not exceeding one month.

Infrastructure

The greatest advantage to manufacturers in Malaysia has been the nation's persistent drive to develop and upgrade its infrastructure. Over the years, these investments have paid off and serious bottlenecks have been avoided. Today, Malaysia can boast of having one of the most developed infrastructure among the newly industrialising countries of Asia.

Latest, the development of Kuala Lumpur Sentral, a futuristic self-contained city, providing the perfect live, work and play environment. A modern transportation hub integrating all major rail transport networks, including the Express Rail Link to the KLIA and Putrajaya, the government's new administrative centre. The transport facilities offered are on par with the best the world over.

Sea mode: Sea transportation is an important feature in Malaysian logistics, as the country has been on the major sea trade route for many centuries via its seven international ports, namely Penang

Port, Port Klang, Johor Port, Port of Tanjung Pelepas, Kuantan Port, Kemaman Port and Bintulu Port. Sea freight has become the preferred choice due to its lower cost and ability to handle bulky shipments. In tandem with the expansion of the economy and trade, ports in the country registered impressive growth in recent years. Port Klang and the Port of Tanjung Pelepas are ranked among the top 20 container ports in the world. Port Klang has been made the national load and transhipment centre, while the Port of Tanjung Pelepas has been recognised as a regional transhipment hub.

Land mode: Land transportation comprises roadways and railways, and is another important infrastructure. The road infrastructure has improved by leaps and bounds over the last three decades. Tolled highways have expanded by more than 200% since 1992 and include the North-South Expressway (846km), which is connected to other highways, industrial regions and ports.

Rail transport has been in Malaya since the late 19th century with the aim to speed up transportation from the tin mining areas to ports along the coast. It is one of the country's most important transport modes, with the network covering most of the 11 states in Peninsular Malaysia. Rail transport comprises heavy rail (including commuter rail), light rapid transit (LRT), mass rapid transit (MRT), monorail, airport rail link and a funicular railway line. In East Malaysia, only the state of Sabah has railways. The network is also connected to the Thai railway network in the north.

Air mode: Malaysia has good airports for both international and domestic travel and transport. Air cargo facilities are well-developed in the seven international airports, namely Kuala Lumpur International Airport (KLIA), Kuala Lumpur International Airport 2 (KLIA 2), Penang International

Airport, Langkawi International Airport, Senai International Airport, Kota Kinabalu International Airport and Kuching International Airport.

Developed industrial parks: Industries in Malaysia are mainly located in more than 500 industrial estates or parks and 18 Free Industrial Zones (FIZs). The sites are fully equipped with infrastructure facilities such as roads, electricity, water supplies and telecommunications, and are continuously being developed by state governments as well as private developers to meet demand.

Specialised parks are designed for the needs of specific industries, such as the Technology Park Malaysia, Kuala Lumpur and the Kulim Hi-Tech Park, which cater to technology-intensive industries and R&D activities.

Hi-tech telecommunications: Malaysia's telecommunications network has seen impressive expansion and upgrading during the past decade following the successful privatisation of its Telecommunications Development equipped with the latest digital and fibre optics technology.

The map below indicates the infrastructure and network in Malaysia.

Main exports and imports in 2018

	Exports	Imports
1	Electrical and Electronics Products	Electrical and Electronics Products
2	Petroleum Products	Petroleum Products
3	Chemicals and Chemical Products	Chemicals and Chemical Products
4	Manufactures of Metal	Machinery, Equipment and Parts
5	Machinery, Equipment and Parts	Manufactures of Metal
6	Liquefied Natural Gas (LNG)	Transport Equipment
7	Palm Oil and Palm-Based Products	Iron and Steel Products
8	Crude Petroleum	Optical and Scientific Equipment
9	Optical and Scientific Equipment	Crude Petroleum
10	Rubber Products	Processed Food

Economic overview

Prospects for the Malaysian economy remain favourable, largely supported by sound domestic demand. In addition, steady global growth and trade, continuous expansion in electrical and electronics (E&E) as well as higher oil prices are expected to support export growth. Consequently, real GDP expanded 4.8% in 2018. In 2019, growth is forecast to increase further to 4.9%. Despite the resilient economic performance, risks to growth are tilted downside, emanating from heightening uncertainties in the global environment, including rising trade conflict, volatility to global financial markets and oil prices, and geopolitical tension.

Private-sector expenditure will remain the key driver of growth, cushioning the effects of lower public-sector spending in 2018 and 2019. Stable employment and wage growth, conducive financing conditions and benign inflation will continue to support private consumption, which accounts for about 55% of GDP. Meanwhile, private investment is anticipated to expand with capital outlays mainly channelled into the services and manufacturing sectors.

In terms of the sectorial performance, the services sector grew 6.3% in 2018, led by wholesale and retail trade; finance and insurance; information and communication; food and beverages, and accommodation subsectors. Growth in the services sector is projected to grow 5.9% in 2019, accounting for about 55% of GDP and reflecting expansion across all subsectors.

The manufacturing sector grew 4.9%, largely driven by export-oriented industries. Continuous expansion in the electronics cycle and favourable global industrial activities are expected to translate into firm demand for Malaysian manufactured exports, hence strong growth in the production of export-oriented manufactured goods. These include E&E, petroleum, chemical, rubber and plastic products. Meanwhile, the domestic-oriented industries will remain steady, supported by sustained demand for consumer- and construction-related products. In 2019, the manufacturing sector is forecast to expand 4.7%, supported by export-oriented industries following continuous expansion in

E&E as well as the chemicals and chemical product subsectors. Growth in E&E output will continue to surge, driven by the increasing use of wearable gadgets and smart home applications.

In 2018, the agriculture sector declined 0.2%, mainly due to lower production and prices for both the Crude Palm Oil (CPO) and rubber. In 2019, however, the sector is projected to rebound 3.1%, driven by improvement in all subsectors, except forestry and logging.

For 2018, the mining sector declined 0.6% following the lower production of natural gas due to supply disruptions in the Kebabangan and Kinabalu fields in Sabah (West Malaysia). Nevertheless, the crude oil and condensates subsector is projected to grow in line with stable global demand. Value added of the mining sector is expected to rebound 0.7% in 2019, driven by recovery in the production of natural gas and following the resumption of operations in the Kebabangan and Kinabalu fields as well as the expectation of new production from the Bakong and Larak fields in the second half of 2019. In addition, stronger demand from the domestic petrochemical industry and new contracts secured, including from Japan for electricity generation, is expected to support the growth of this sector.

The construction sector expanded moderately at 4.5%, following near completion of several mega projects and overhang, particularly in the non-residential subsector. The growth momentum is expected to improve slightly in 2019, with the sector expanding 4.7%, following an increase in new planned supply in the affordable homes and industrial segments.

Gross exports expanded 4.4% in 2018 led by continued demand for manufactured goods. Exports of manufactured goods, which account for about 84% of total exports, are estimated to expand 6.6%, mainly as a result of the continuous expansion in the electronics cycle and favourable global industrial activities. Receipts from E&E products are estimated to grow 7.3% in line with global semiconductor sales, which expanded 15.7% in 2018. Growth will be supported by the favourable performance of semiconductors, automatic data-processing equipment and electronic machine apparatus. Demand for E&E products from major trading partners is expected to remain favourable. Meanwhile, exports of non-E&E increased 6.1% in 2018, mainly driven by chemicals and chemical products, manufacturers of metal, petroleum products, and optical and scientific equipment. Export earnings from agricultural goods declined 11.2% in 2018, weighed down by lower receipts from palm oil and natural rubber. Agriculture exports, however, are forecast to rebound 5.4% in 2019, supported by the recovery in prices as well as higher demand for CPO and natural rubber. The anticipated pickup in Liquefied Natural Gas (LNG) production from existing and newly commenced facilities together with stable prices will boost growth of mining exports in 2019, estimated at 3.9%.

Gross imports expanded at a moderate pace of 4% in 2018, weighed down by a contraction in imports of intermediate goods at 4.6%. Meanwhile, imports of capital goods expanded 1.6%, supported by deliveries of lumpy items such as aircraft and vessels. Imports of consumption goods expanded 2.3%, underpinned by higher demand following stable labour-market conditions. In 2019, imports are anticipated to grow 4.1%, supported by continued imports of intermediate goods and steady re-export activity. Imports of intermediate goods are expected to rebound 4.2% and continue to support manufacturing activities. Imports for re-exports are expected to continue to grow strongly, driven by the relocation of distribution hubs by MNCs into Malaysia. This includes companies in the semiconductor and automotive parts industry as well as the e-fulfilment hub in DFTZ. Imports of capital goods are forecast to expand 2.9% in line with increasing private investment activity. Imports of consumption goods are expected to expand further by 3.1%, in line with optimistic consumer sentiments following better prospects of employment and wages.

The labour market is expected to remain favourable in 2018 and 2019. The unemployment rate is expected to be sustained at 3.3% with more new jobs in the economy.

Malaysia's private investments in the manufacturing, services and primary sectors charted US$50.4 billion in 2018, a 0.55% increase against US$50.2 billion in 2017. The pie was split with domestic direct investments (DDI) assuming 60.1% of the share at US$30.3 billion, while foreign direct investment (FDI) accounted for the remaining 39.9%, recorded at US$20.1 billion.

The manufacturing sector's performance rose by 37.2% and stood at US$21.9 billion, against investments of US$16 billion in 2017. Foreign investments more than doubled in 2018 (US$14.5 billion against US$5.4 billion in 2017) and accounted for 66.4% of approved investments. The petroleum products including petrochemicals industry was the crowd favourite and attracted the largest amount of foreign investment at US$4.8 billion, while other industries with high levels of foreign investment were electrical and electronic products (US$2.7 billion), basic metal products (US$2.1 billion), paper, printing and publishing (US$1.3 billion), chemicals and chemical products (US$1.1 billion) and rubber products (US$0.8 billion). Meanwhile, domestic investment in manufacturing accounted for 33.6% (US$7.4 billion) of total investments approved.

The services sector led the way for total investments approved in 2018, and garnered 4 103 approved projects, with investments totalling US$25.9 billion. Domestic investments accounted for US$21.7 billion while foreign investments stood at US$4.2 billion.

Approved investments in the primary sector landed US$2.7 billion from 63 projects. Foreign investment took more than half of the share at USD1.5 billion (55.1%), with domestic investment at US$1.2 billion (44.9%).

Malaysia's near-term growth outlook remains resilient with sound macroeconomic fundamentals and stable financial conditions as well as a broad-based and diversified economic structure. Domestic demand continues to drive the economy, while the external sector benefits from steady global growth and trade activities. Nevertheless, as a highly open economy, Malaysia faces several risks relating to uncertainties in the external environment. Heightening financial market volatility as well as escalating protectionism and trade tensions, which could have a dampening effect on global trade and investment flows, are expected to have an adverse impact on Malaysia's economic growth. Moving forward, the Government will employ various measures to continue to strengthen structural reforms and accelerate the country's convergence with developed economies. These include addressing mismatch in the labour market; improving the quality of education and training; further diversifying export products and markets; enhancing innovation and adoption of technology; and unlocking the potential of the digital economy as a future driver of growth.

Free-Trade Agreements (FTAs)

Malaysia recognised the importance of international trade as a contributor to Malaysia's economic growth and development. The country trade policy is to pursue efforts towards creating a more liberalising and fair global trading environment. Malaysia is also pursuing regional and bilateral trading arrangements to complement the multilateral approach to trade liberalisation.

The objectives for Malaysia in negotiating the FTAs are to seek better market access by addressing tariffs and non-tariff measures; to further facilitate and promote trade, investment and economic development; to enhance the competitiveness of Malaysian exporters; and to build capacity in specific targeted areas through technical cooperation and collaboration.

To date, Malaysia has concluded FTAs with the following countries:

- **Japan**
- **Pakistan**
- **New Zealand**
- **India**
- **Chile**
- **Australia**
- **Turkey**

Regional FTAs:

- **ASEAN-China**
- **ASEAN-Korea**

- **ASEAN-Japan**
- **ASEAN-Australia and New Zealand**
- **ASEAN-India**
- **ASEAN Trade in Goods Agreement**

FTAs under negotiations:

- **Regional Comprehensive Economic Partnership**
- **Malaysia-Iran Preferential Trade Agreement**
- **Malaysia-European Free Trade Area Economic Partnership Agreement**
- **Malaysia-EU Free Trade Agreement**

FTAs signed but pending ratification and entry into force:

- **ASEAN-Hong Kong Free Trade Agreement. Signed on 12 November 2017, target entry into force in 2019**
- **Trans-Pacific Partnership Agreement (TPPA). Signed on 4 February 2016**
- **Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Signed on 8 March 2018**

Security

Malaysia is relatively safe for investors and businesses as Malaysia has lower crime rates than most other emerging market economies in Asia. Malaysia government has pledged to implement the appropriate policies and provide its support for the creation of a conducive environment for business and investment. This allows investors to rest assured of a Government that is firm yet flexible enough to accommodate their needs.

Doing Business

- **Business culture**

A market-oriented economy and government policies that provide businesses with the opportunity for growth and profits have made Malaysia a highly competitive manufacturing and export base. The country's rapid move towards the k-economy allows companies to do business in an environment that is geared towards information technology. The Malaysian Government continually strives to provide a business-friendly environment in which to operate. In addition, the Government continues to ensure that the country remains an attractive business destination for investment. Malaysia aims to achieve a high-income economy by 2020, and so is doubling its efforts to attract investments and drive productivity and innovation through political, economic and regulatory reforms. These efforts have received worldwide recognition through improved rankings in reports by various international institutions.

The *Global Competitiveness Report 2018-2019*, released by the World Economic Forum (WEF), ranked Malaysia 25 out of 140 economies. With this ranking, the country remained one of the most competitive economies, and was the highest ranked among the developing Asian countries. Meanwhile, in the *Doing Business Report 2018,* published by the World Bank, Malaysia is ranked 24 worldwide for the ease of doing business, outranking developed countries such as France (31), Switzerland (33) and Japan (34). Malaysia is also ranked second in the ASEAN in the report after Singapore, and seventh in the Asia Pacific after New Zealand, Singapore, Hong Kong, South Korea, Taiwan and Australia.

One of Malaysia's major pull factors is its large pool of young, educated and trainable workforce. Many of Malaysia's university graduates are trained overseas in fields such as engineering and accountancy, allowing them to adapt easily to an international corporate environment. English is widely spoken in Malaysia, especially in business, thus facilitating the investor's communication with local personnel and suppliers. In July 2013, the country raised the minimum retirement age for private-sector workers from 55 to 60 to ensure a continued pool of skilled human capital.

The country's legal and accounting practices derived from the British system are familiar to most international companies. In addition, Malaysia retained its position as the third-best destination in the world for outsourcing activities, after India and China, according to AT Kearney's 2017 Global Service Location Index (GLSI).

- **Language**

The official language of Malaysia is Bahasa Malaysia. English is widely used for business. Apart from Bahasa Malaysia and English, other languages that are widely spoken include Mandarin, Cantonese, Tamil and other tribal languages.

- **Business hours**

8:30 to 17:30, Mondays to Fridays.

- **Investment climate**

Malaysia is strategically located in the heart of South East Asia and supported by a market-oriented economy and pro-business Government policies. The country offers investors a dynamic and vibrant business environment with the ideal prerequisites for growth and profits. Malaysia's key strengths include well-developed infrastructure and productive workforce. A politically stable country with a well-developed legal system, Malaysia also provides attractive incentives for investors.

Malaysia offers investors a wide spectrum of investment opportunities. The technologically inclined economy of Malaysia is proven through the country's involvement in advanced electronics manufacturing, R&D, biotechnology, photonics, logistics, design, innovation and a highly automated manufacturing sector. The Government's objective is also to make Malaysia a hub for other value chain activities, such as R&D, design and development (D&D), procurement, logistics, distribution and marketing, business support services and shared services.

The conducive business environment in Malaysia has to date attracted more than 5 000 foreign companies from more than 40 countries to establish their operations in the country.

- **Taxation**

Malaysia taxation is imposed on income accruing in or derived from Malaysia, except for income of a resident company carrying on a business of air/sea transport, banking or insurance, which is assessable on a world income scope. Malaysia's taxes are assessed on a current year basis and regulated by a self-assessment system for all corporate and individual taxpayers.

Corporate tax

The standard corporate tax rate is 24% with effect from year of assessment (YA) 2016 on all income or profits derived from Malaysia (except those incomes that are exempt under the Malaysian law). The rate for resident small and medium-sized companies (SMEs) with a share capital of less than MYR2.5 million (US$0.625 million) or less and that are not part of a group containing a company exceeding this capitalisation threshold is 17% on the first MYR500,000 (USD125,000). Chargeable income and the balance will be taxed at the current prevailing tax rate.

Sales services tax (SST)

Effective from 1 September 2018, the Sales Tax Act 2018 and the Service Tax Act 2018 together with its respective subsidiary legislations are introduced to replace the Goods and Services Tax (GST) Act 2014. Sales tax is charged and levied on imported and locally manufactured goods either at the time of importation or at the time the goods are sold or otherwise disposed of by the registered manufacturer. Sales tax is generally at 10%. Certain non-essential foodstuffs, alcoholic beverages, tobacco/cigarettes and building materials are taxed at 5%, while certain petroleum products and motor oil are taxed at individual specific rates. Service tax is a consumption tax levied and charged in any taxable services provided in Malaysia by a registered person in carrying on his business. The rate of service tax is 6% ad valorem for all taxable services except for the provision of charge on credit-card services. Service tax for the provision of charge or credit card services is MYR25 (US$6.25) per year on each principal card or supplementary card.

Import duties

Import duties are levied on goods that are subject to import duties and imported into the country. Import duties are generally levied only on an ad valorem basis, but may also be imposed on a specific basis. The ad valorem rates of import duties defined in terms of a fixed percentage of value ranging from 0% to 60%. Raw materials, machinery, essential foodstuffs and pharmaceutical products are generally non-dutiable or subject to duties at lower rates. Effective 1 April 2008, Malaysia implemented the tariff rate quota (TRQ) on selected agricultural products such as chicken, milk and cream, hen eggs and cabbages. Under TRQ, the tariff charged depends on the volume of imports. Imports within quota (volume) attract duties at a lower tariff rate, while a higher tariff rate applies on goods in excess of the quota volume “out-quota tariff rate”. The quota applicable is determined by the relevant agency, e.g. Department of Veterinary Services of Malaysia.

Export duties

Export duties are generally imposed on the country’s main commodities (such as crude petroleum and palm oil) for revenue purposes.

Excise duties

Excise duties are imposed on a selected range of goods manufactured in Malaysia or imported into Malaysia. Goods that are subject to excise duty include beer/stout, cider and perry, rice wine, mead, indentured ethyl alcohol, brandy, whisky, rum and tafia, gin, cigarettes containing tobacco, motor vehicles, motorcycles, playing cards and mah-jong tiles. Excise duties rates vary, from a composite rate of 10 cents per litre and 15% for certain types of spirituous beverages to as much as 105% for motorcars (depending on engine capacity). In addition, it is proposed that from 1 April 2019 an excise duty rate of MYR0.40 (US$0.1) per litre be charged on specified sugar-sweetened beverages.

- **Forms of payment**

Malaysia implement two types of payment systems: the large value payment system (LVPS) through RENTAS (Real Time Electronics Transfer of Funds and Securities); and the retail payment system. A systemically important payment system or LVPS typically processes high-value and time-critical payments. It is an essential payment system to ensure the smooth functioning of the economy, financial system and financial markets, and its failure could trigger disruptions of transmit shocks within the economy and the financial market, both at the domestic and cross-border level. RENTAS is the only LVPS for Malaysia and is opened under a Real Time Gross Settlement (RTGS) basis. For retails payment, it can be made via Cheque Truncation and Conversion System (CTCS), shared ATM network, Interbank GIRO, financial process exchange and direct debit.

- **Customs Clearance**

All goods that imported to Malaysia must be declared in writing on Customs Form No. 1. All declarations should indicate a full and true account of the number and description of goods and packages, value, weight, measurement or quantity, and the country of origin or the final destination. Declarations must be submitted to the Customs station at the place where the goods are to be imported. 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). The documents required by Royal Malaysian Customs include: Custom entry form, bill of landing/airway bill; commercial invoice or pro-forma invoice; packing list; any relevant permits, licences or certificates.

- **Advantages the country offers to South African companies**

The greatest advantage to manufacturers in Malaysia has been the nation's persistent drive to develop and upgrade its infrastructure. Over the years, these investments have paid off and serious bottlenecks have been avoided. Today, Malaysia can boast of having one of the most developed infrastructure among the newly industrialising countries of Asia.

A major factor that has attracted investors to Malaysia is the government's commitment to maintain a business environment that provides companies with the opportunities for growth and profits.

- Liberal equity policy: Since June 2003, foreign investors could hold 100% of the equity in all investments in new projects, as well as investments in expansion/diversification projects by existing companies, irrespective of the level of exports and without excluding any product or activity.
- Employment of expatriates: Foreign companies in the manufacturing sector are allowed to employ expatriates where certain skills not available in Malaysia. A company with foreign paid-up capital of US$2 million and above will be allowed up to 10 expatriate posts, including five key posts, that is, posts that are permanently filled by foreigners.
- Attractive tax incentives: The main incentives are the Pioneer Status, Investment Tax Allowance, Reinvestment Allowance, Incentives for High Technology Industries and Incentives for Strategic Projects and Incentives for the Setting-up of International/ Regional Service-based Operations.

The Malaysian Government continues to ensure that the country remains an attractive business destination for investments.

Sector opportunities

- **Agriculture**

The agriculture sector plays an important role in Malaysia's economic development, contributing MYR20 billion or 4% of Malaysia's GNI in 2009. By 2020, however, agriculture will be transformed into agribusiness, moving towards a model that is inclusive but simultaneously anchored on market needs, economies of scale and value-chain integration. Malaysia will focus on large global markets with high growth potential such as aquaculture and premium processed foods, while maintaining a strong presence in strategic sub-sectors such as paddy and livestock to ensure national food security. The Agriculture NKEA is targeted to raise total GNI contribution by MYR34 billion to reach MYR49 billion by 2020.

- **Oil, gas and energy**

The oil, gas and energy sector has been a mainstay of Malaysia's growth and contributes approximately 20% of national GDP. By 2020, Malaysia will have a more diversified oil, gas and energy sector that remains vital to the development that builds on the nation's competitive advantages. The Oil, Gas and Energy NKEA is targeted to raise total GNI contribution to MYR241 billion by 2020 from MYR110 billion in 2009. Malaysia can capture the value created from increasing international flows of crude oil and refined products by building a regional oil-storage hub and developing a regasification terminal for imported liquefied natural gas. Malaysia will attract multinational corporations, consolidate domestic fabricators to increase the likelihood of winning major contracts and partner with world-class companies to establish a presence in the construction and installation portion of the value chain.

- **Tourism**

Malaysia is one of the world's top destinations, and the tourism sector is country fifth-largest industry, generating MYR37 billion in GNI in 2009. The industry is expected to continue growing, with arrivals rising from 24 million in 2009 to 36 million in 2020. The tourism industry is targeted to raise total GNI contribution by MYR67 billion to MYR104 billion by 2020.

- **Heavy industry**

The Malaysian iron and steel industries sector cover the primary steel products such as direct reduced iron, hot briquetted iron, blooms/slabs and steel billets and a very wide range of downstream flat and long products such as hot rolled coils, cold rolled coils, coated steel coils, roofing sheets, steel pipes and sections, steel billets, steel bars, wire rods, wire mesh, hard drawn wires, galvanised wires, steel wire ropes, steel wire products, stainless steel pipes/pipes fittings and stainless steel wire and fasteners. There are currently 230 companies producing such products with an annual output of MYR32.2 billion. The iron and steel industries provide an important linkage for the supply of basic raw materials and components to other sectors of the Malaysian economy, especially the construction industry, electrical/electronic industry, automotive industry, furniture industry, machinery industry and engineering fabrication industry.

- **Logistic services**

Malaysia's logistic services sector plays a critical role in providing the backbone to facilitate its international trade. The targets set by the Malaysian Government include the achievement of overall transportation growth of 8.6% by the year 2020, which is equivalent to a contribution of approximately 12.1% to the GDP.

- **Healthcare**

The healthcare industry has become a powerful engine of economic growth, due to demographic shifts such as extended longevity and a rise in lifestyle diseases such as hypertension and cardiovascular ailments and diabetes. Malaysia's spending on healthcare is at 5% of GDP. Currently, the sector contributes to MYR15 billion in GNI. As such, Malaysia aim to grow three sub-sectors within healthcare, which are the pharmaceuticals, health travel and medical technology products. Malaysia will also develop the more profitable medical technology sub-sectors such as medical devices, diagnostic equipment and healthcare information technology.

- **Aerospace**

The government has identified Malaysia's aerospace industry as one of the "3+2" strategic sectors with high growth potential. In recognition of its importance, the Malaysian Aerospace Industry Blueprint 2030 was launched during the Langkawi International Maritime and Aerospace Exhibition

(LIMA) 2015 in Langkawi, Kedah. This blueprint charts the long-term plan for the development of the aerospace industry in Malaysia until 2030. The target is to make Malaysia the leading aerospace nation in South East Asia and be an integral part of the global market by 2030. Malaysia is currently home to more than 200 aerospace companies comprising both international and local industry players. These include 66 companies involved in maintenance, repair and overhaul (MRO) activities, 33 companies in aero-manufacturing, 25 companies in education and training, and 11 companies in systems integration, as well as engineering and design. To further encourage growth and development in this field, Malaysia offers attractive tax incentives to companies undertaking activities covering MRO, manufacturing and system integration for the aerospace industry.

- **Green Technology**

In line with Malaysia's aim to become an inclusive and sustainable advanced nation by 2020, Green Technology has been identified as one of the drivers of the future economy for the nation that would contribute to the overall Green Growth and Sustainable Development. Under the National Green Technology Policy, the cross-sectoral Green Technology focuses on four sectors, namely energy, building, waste management and transportation. Malaysia is emphasising greater importance for Renewable Energy (RE) generation through specifically formulated policies and initiatives to spur the growth of the sector as a major step towards green economy.

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Useful websites

Ministry of International Trade and Industry (MITI) Malaysia – www.miti.gov.my

Ministry of Economic Affairs of Malaysia – www.mea.gov.my

Malaysia External Trade Development Corporation (MATRADE) – www.matrade.gov.my

Malaysian Investment Development Authority (MIDA) – www.mida.gov.my

SME Corporation Malaysia – www.smecorp.gov.my

Bank Negara Malaysia (Central Bank of Malaysia) – www.bnm.gov.my

Malaysia Digital Economy Corporation (MDEC) – www.mdec.my

Malaysia Productivity Corporation (MPC) – www.mpc.gov.my

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