

Setting up Company & Factory in **MALAYSIA**



The Content:

- 1) **Incorporation of Company**
- 2) **Equity Policy**
- 3) **Manufacturing Licences, Approvals & Registration**
- 4) **Incentives**

Incorporation of Company

Methods of conducting business in Malaysia:

- 1) **Individual** operating as a sole proprietor (**not for foreigner**)
- 2) 2 and ≤ 20 persons in **partnership** (**not for foreigner**), or
- 3) A locally incorporated **company** or a foreign company registered under the provisions of Companies Act 1965.
- 4) Limited Liability Partnership (**LLP**).

Incorporation of Company

Companies limited by shares :

May be incorporated either as

a “**Private** Limited Company” (i.e. Sendirian Berhad or Sdn Bhd) or

a “**Public** Limited Company” (i.e. Berhad or Bhd”).

Incorporation of Company

Incorporation requirement & procedure **for Company limited by shares**

Requirement :

- \geq **1** resident directors.
- \geq **RM1-00** Paid-up capital ;
- \geq **1** individual shareholders.

Incorporation of Company

Incorporation requirement & procedure **for Company limited by shares:**

Procedure:

1. Name search \approx **1-2** working days.
2. Upon name approval, directors and shareholders sign and submit documents to the Registrar of Companies (SSM).
3. SSM issues Certificate of incorporation \approx **3** working days.

Licences, Approvals & Registration

Common for most factories:

- Manufacturing Licence under the Industrial Coordination Act 1975
- No Objection from Department of Environment
- Occupational Health & Safety Department Registration
- Fire Services Department Approval
- Town Council Business Licence
- GST Registration
- LMW License
- Registration with EPF, SOCSO, Manpower Department, and IRB for Schedular Tax Deduction

See next slides

Manufacturing Licence under the Industrial Coordination Act 1975 (1/4)

- **Industrial Co-ordination Act 1975 :**
 - ICA requires manufacturing companies with shareholders' funds of **≥RM2.5 million** or engaging **≥75 full-time paid employees** to apply for a manufacturing licence for approval by the Ministry of International Trade and Industry (MITI).

Manufacturing Licence under the Industrial Coordination Act 1975 (2/4)

- ICA defines :
 - "**Manufacturing activity**" as the making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal; and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade.

Manufacturing Licence under the Industrial Coordination Act 1975 (3/4)

- ICA defines :
 - "**Shareholders' funds**" as the aggregate amount of a company's paid-up capital (not including bonus shares to the extent they were issued out of capital reserve created by revaluation of fixed assets), reserves (other than any capital reserve created by revaluation of fixed assets and provisions for depreciation, renewals or replacements and diminution in value of assets), balance of share premium account (not include any amount credited therein at the instance of issuing bonus shares at premium out of capital reserve by revaluation of fixed assets) and balance of profit and loss appropriation account.

Manufacturing Licence under the Industrial Coordination Act 1975 (4/4)

- ICA defines :
 - "Full-time paid employees" as all persons normally working in the establishment for at least six hours a day and at least 20 days a month for 12 months during the year and who receive a salary, includes traveling sales, engineering, maintenance and repair personnel who are paid by and are under the control of the establishment; directors of incorporated enterprises except those paid solely for their attendance at board of directors meetings.

No Objection from Department of Environment

- No Objection from Department of Environment should be obtained prior to occupying a site for use.
- **Site suitability** is evaluated based on the compatibility of the project with respect to the gazetted structure or local plans, surrounding land-use, provision of setbacks or buffer zones, the capacity of the area to receive additional pollution load, and waste disposal requirements.
- In addition, company shall conform to relevant environmental laws (**discharge of effluent, emission of smoke, etc**).

Occupational Health & Safety Department Registration

- All factories and general machinery must be registered with DOSH before they can be installed and operated in Malaysia.
- Some operation, installation, maintenance and dismantling of equipment and process need competent persons to ensure safety.
- Other requirements include safety and health committee, safety and health officer, notification of accident, etc.

Fire Services Department Approval

- Company shall conform to basic fire safety equipment and rules to obtain an approval as a sponsor for Town Council to issue a Business Licence.
- Fire Certificate is required for designated premises:
 - Single Storey – 2001 square meters and over;
 - Hazardous Processes;
 - etc

Town Council Business Licence

- All premises to be used for business purposes must be licenced, depending on the suitability of the premise for the trade by the local authority.

GST Registration

- Company making taxable supply with turnover **>RM500,000 annually** has to register for GST.

LMW License

- Allow **exemption of import duties** for importation of direct materials/components.
- Factory shall **export $\geq 80\%$ of** manufactured products (including sales to LMW companies and companies at Free Zone for use as their direct materials/components).
- Other requirement (Proper factory with CCC, BG, General Bond, Paid-up capital, etc).

Registration with EPF

- Employees Provident Fund Act 1991 stipulates a compulsory contribution for employees who are Malaysians. The rate :

Employees earning a monthly wage of **≤RM5,000**

13% by Employer, and **11%** By Employee of the employee's monthly wages (for age below 55)

Employees earning a monthly wage of **>RM5,000**

12% by Employer, and **11%** By Employee of the employee's monthly wages (for age below 55)

Registration with SOCSO

- Employee's Social Security Act 1969 requires employer, and employees of **≤RM3,000** make contribution. This provides coverage to employees against disablement, death, and invalidity. The rate :

Employment Injury Scheme	1.25% by Employer
Invalidity Pension Scheme	1% shared by Employer and Employee.

Registration with Manpower Department, & IRB for Schedular Tax Deduction

- Employment Act 1955 requires employer to register with Manpower Department.
- Schedular Tax Deduction is an **income tax deduction** mechanism **from employee's current monthly salary** according to a schedule issued by the Inland Revenue Board Malaysia.

The End

- Thank you !