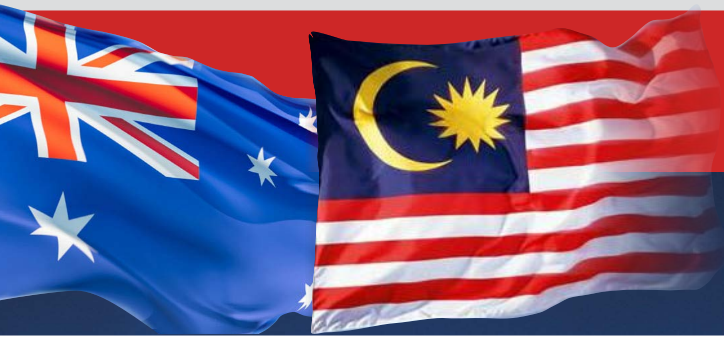
CONNECTMALAYSIA
YOUR BUSINESS BRIDGE IN MALAYSIA



ConnectionsNewsletter

Edition 2 | March 2017

Welcome to the latest edition of Connect Malaysia's newsletter.

Ninety-seven percent of businesses in Malaysia are small and medium enterprises (SMEs) and the sector has been at the core of nation's economic transformation since the 1990s, and important driver of employment growth and a key component of the government's goal to upper-middle income nation status.

The small business sector is responsible for nearly 36% of the Malaysia's GDP, 65% of the country's employment, and nearly 18% of all exports.

Is it any wonder that Malaysia's SMEs are regarded as the backbone of nation's economy and small is the new big for driving economic growth.

To maximise the contribution of the SME sector, the Malaysian Government established SME Corporation Malaysia with responsibility for coordinating and overseeing policies for the overall development of SMEs in Malaysia.

In addition, SME Corporation helped create and is now implementing the 2012-2020 SME Masterplan which has been described by Malaysia's Prime Minister as a "game changer," that includes a structured framework to advance SME development.

The Malaysian government's objective is to increase SMEs contribution to GDP to 41% and exports derived from the sector to 23% by 2020.

Malaysia's aspiration to become a high-income economy is dependent on SMEs' contribution to economic growth measured in the country's GDP and the creation of employment opportunities for youth and women. A globally competitive SME sector across all segments of the economy is seen as a key driver of wealth creation and social well-being for the population.

Although Malaysia's commendable SME growth has outpaced that of the overall economy, many regard the country's target of 8% SME growth through to 2020 will be a tough ask as the overall economy is growing at approximately 5% pa.

A further goal for the sector is to increase the number of new commercial ventures each year as visible indicator and benchmark of success.

A focus on innovation is key component of Malaysia's SME Masterplan and aspirations for the future.

To ensure continued SME growth, contribution to Malaysia's economy and closing the productivity gap to become more competitive globally, the Malaysian government is also focussing its efforts on encouraging the SME sector to embrace, adapt and apply the latest developments in technology as well up-skilling the capacity of employees.

Although the SME sector has achieved much, there is still a long road ahead if Malaysia's SMEs are to achieve the goals of government and realise their own potential.

Australian and Malaysian SMEs have much in common and by reaching out to each other can capitalise on immense opportunities both in their respective local markets and collaboratively internationally.

These opportunities will be explored in more detail in future editions of this newsletter.

By Joe Perri
Principal Consultant – Connect Malaysia

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Malaysia could provide workable solution for Australian retirees seeking to bridge the longevity gap

Australian seniors woke up to on January 1 2017 to the impact on their pensions and benefits as the result of changes to the Age Pension Assets Test and it had many asking how are they going to fund the longevity age gap.

By Paul Tynan
CEO, Connect ASEAN

Today, longer life expectancies and rising cost of living has seniors and retirees in growing numbers wondering how their nest eggs and savings will provide them a comfortable dignified retirement.

The reality is the majority of Australian retirement aspirations are vastly underfunded and as a result future government budgets will come under immense stress from the strain of paying for age pensions, health services, age care and related housing costs.

Some estimates say the Age Pension Assets Test could have as many as 200,000 pensioners receive lower part pension payments and benefits and possibly up to 100,000 lose pension payments altogether. It's a frightening scenario and problem for retirees with some very tough decisions needed on how best to stretch restricted savings and income.

So, what are the options some retirees could consider?

1. Work longer
2. Live with children
3. Draw down equity on their home
4. Sell the family home
5. Move living location i.e. a sea change or tree change
6. Sell up and move overseas
7. Rent the family home and reside overseas

I challenge retirees and mature age Australians to review their lifestyle options and ask "do you want to live a modest/comfortable lifestyle with very limited lifestyle choices, or live a better life in a SE Asia destination like Bali, Thailand or the country at the top of his list – Malaysia?"

Malaysia has a very attractive initiative that is marketed as Malaysia My Second Home (MM2H) which the government actively markets internationally inviting non-residents to consider Malaysia as their retirement destination.

Using Penang as a retirement option in Malaysia as a comparison. The cost of renting a three-bedroom apartment in the city is 80% lower in Penang than in Sydney. When it comes to dining at restaurants, the meals are more than 70% lower and groceries 60% cheaper. Other benefits of living in Malaysia include –

- Excellent medical services
- International airport
- English speaking
- You can buy freehold property

This will not be the retirement solution for every retiree however Australians in growing numbers will explore this option in the years to come. Living in Malaysia will allow Australians to maintain current living standards in their later years as cost of living increases erode retirement nest eggs.

Health care and aged care (including retirement living) in Malaysia is much more affordable when compared to Australia.

The tyranny of distance is not an issue either as connectivity with loved ones by rapid advances in technology (communication) together with daily direct flights from most Australian capital cities to Kuala Lumpur.

While maintaining their Australian citizenship, retirees can keep their financial assets in Australia and access money through ATM's and banking institutions. The skills and experience of these talented retirees could also see them maintain active lifestyles as teachers, mentors and business consultants.

When considering a move to Malaysia or nearby country as a retirement destination, it is important to consider the following factors:

- Climate
- Cost of living
- English speaking
- Healthcare
- Environmental conditions
- Expat community
- Safety
- Real estate
- Entertainment
- Food
- Transportation

Australian seniors will need to brace themselves and expect even further changes to pensions and related entitlements beyond the new Assets Test in January 2017 – it's simply inevitable!

However, seniors are very fortunate with options many in overseas countries don't have and although I acknowledge that relocating offshore will not suit everyone because of family ties and unwillingness to adapt to a different culture and way of life – there are those with an 'adventurous spirit' that will see this as an exciting final chapter in their lives.

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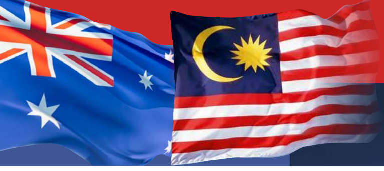

SMEs should capitalise on overseas business but don't jeopardise superannuation opportunities

By Dennis Tomaras – Partner, Cornwall Stodart

Australian SMEs expanding their operations into overseas marketplaces such as Malaysia are continuing to make decisions that will significantly impact their future financial wellbeing and retirement prospects.

Failure to have a documented exit and succession strategy tops the list for an estimated 90% of SMEs for this. It's amazing to see the depth of research by business owners when they expand internationally – yet the same degree of attention to exit and succession is almost non-existent, especially when so many SMEs are relying on the sale of their business to fund retirement.

Not having a documented exit and succession strategy is bad enough, but when contributions are missed, the impact on a superannuation account can potentially be in the tens of thousands when the compounding / multiplier effect is factored in.

In fact, not contributing to superannuation is like embarking on a long and potentially hazardous ocean journey without a life boat.

Currently business owners have a superannuation window of opportunity until 30 June 2017, before new and less favourable rules apply from 1 July onwards – and it needs to be considered seriously!

These new rules were announced in the 2016 Federal Budget with a number of modifications made to these rules subsequent to last year's Budget.

A summary of the new rules applicable to superannuation funds, and amounts that can be contributed to superannuation from 1 July 2017, follows –

1. The annual tax deductible amount for all taxpayers will be reduced to $25,000 per annum.
2. Pension balances above $1.6 million will be taxed at 15%, even where the super fund has transitioned into pension mode.
3. The contribution tax on superannuation deductions for those earning more than $250,000 per annum will be increased from 15% to 30%. (The current rules apply the 30% tax rate on taxable income of $300,000 per annum or more.)
4. The maximum, annual, non-deductible contribution for superannuation will be $100,000.
5. Where a superannuation fund already has more than $1.6 million of value as at 1 July 2017, then no further non-deductible amounts will be allowed into the super fund. In other words, funds with such balances will only be allowed to accept the annual $25,000 per annum amount.

In a win for business owners and taxpayers, and an opportunity that should be considered carefully, the current rules that continue to apply to 30 June 2017 are –

1. The annual tax-deductible amount for superannuation contributions is:
   - If under 49 years of age - $30,000; or
   - If 49 and over - $35,000.
2. Pension balances above $1.6 million are not taxed at 15%, where the fund transitions into pension mode.
3. he maximum annual non- deductible amount is $180,000 per annum.

In other words, up to 30 June 2017, taxpayers can still claim a higher tax deductible amount (based on their age) into an eligible superannuation fund and there is a higher non-deductible amount available.

The old and new superannuation rules allow up to 3 years of the so-called "non-deductible" amounts to be paid into a super fund in one year.

Under the rules still applicable to 30 June 2017, if a taxpayer is under 65 years of age and has not used up their non- concessional cap from the previous two financial years, then they will be eligible to invest up to $540,000 as a non-concessional contribution to the super fund before 30 June 2017.

In fact, I expect to see plenty of advertisements in the media over the next few months promoting non-deductible contributions, up to $540,000, into a superannuation fund before 30 June.

Even where the business owner taxpayer has say a balance of more than $1.6 million, provided such payments are made into the super fund before 30 June 2017, then the superannuation fund can still accept these amounts, (because they fall within the current rules).

Nonetheless, as this is very much a one-off opportunity, business owners should consider contributing into superannuation (where they have such funds available), before 30 June 2017.

The problem, of course, after 30 June 2017 is that the non-concessional cap will be reduced to $100,000 for the year ending 30 June 2018. In addition, a further problem will be that if a super fund already has a balance of $1.6 million or more, then no further non-deductible contributions can be made after 1 July 2017.

With the end of the current financial year just a handful of months away, business owners should be considering, the merits of making such additional non-deductible contributions to their super fund before 30 June 2017.

I acknowledge that for many business owners, the financial reality is that operating a commercial enterprise is a juggling act as they seek to fund the day-to-day demands of their commercial ventures – and of course resources are stretched even further when businesses expand overseas.

While time still on their side, business owners would be well advised to seek professional expert advice from an accountant or financial planner in order to take advantage of this opportunity concluded Tomaras.

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Doing in business in Malaysia – understand the basics first!

Malaysia has been a sought after, investment hub in South East Asia for many years as it is regarded as a dynamic business environment, with advanced technologically, well developed infrastructure, highly skilled and educated human resources and has a stable economic and socio-political environment.

By Jeffrey T Lee – Principal Lawyer
Comasters, Law firm and notary public

Following are some basics for doing business in Malaysia

1. Country background

Area:	329,847 km²
Population:	31.81 million (October 2016 estimate);
Religion:	Muslim (official) 61.3%, Buddhist 19.8%, Christian 9.2%, Hindu 6.3%, Confucianism, Taoism, other traditional Chinese religions 1.3%, other 0.4%, none 0.8%, unspecified 1% (2010 estimates)
Languages:	Bahasa Malaysia (official), English, Chinese (Cantonese, Mandarin, Hokkien, Hakka, Hainan, Foochow), Tamil, Telugu, Malayalam, Punjabi, and Thai
Government type:	Federal constitutional monarchy
Economy GDP – per capita:	US$9,766 (2015)
GDP – real growth rate:	5.0% (2015)
Labour force:	14.73 million (July 2016)
Unemployment:	3.5% (July 2016)
Currency (code):	Malaysian ringgit (MYR)

Malaysia today is one of the major locations for offshore manufacturing and service-based operations. More than 5,000 companies from countries around the world have operations in manufacturing, oil & gas, and service-based operations.

2. Business opportunities and possible obstacles in Malaysia

In this article, we shall focus on Company Structure as it is the most common form of incorporation/registration of business by foreigners in Malaysia.

2.1 Company Structure

The Companies Act 1965 (CA 1965) was the governing legislation for all companies in Malaysia until the recently gazetted Companies Act 2016 (CA 2016) came into force on 31 January 2017.

MyCoID

The Malaysia Corporate Identity Number or its acronym, MyCoID, refers to the company incorporation number which is used as a single source of reference for registration and transaction purposes with other relevant Government agencies.

Incorporation of companies and simultaneous registration with the participating government agencies can be made via the electronic MyCoID gateway.

2.2 Company Limited by Shares

Single member / single director company

- Private company – Under the Companies Act 2016 (CA 2016) a single member/single director company can be now incorporated as a private company.
- Public company – A public company can also be incorporated with only a single member but must have a minimum of 2 directors.

No-par value regime

Under the previous CA 1965, the most common company structure in Malaysia was, company limited by shares.

With the CA 2016, companies will no longer be required to state its authorised share capital.

- The No-Par Value (NPV) regime will bring about simplification of accounts where share premium accounts and reserves will no longer be applicable.
- Companies will no longer be subject to lengthy and costly procedures to increase share capital.

The transition to a no-par value regime is in line with international trends and has been widely accepted in other countries such as Australia, New Zealand, Singapore and Hong Kong.

Constitution (memorandum & articles of association)

- Under section 619(3) of the Companies Act 2016, for existing companies already registered under the previous law, their M&A remains valid and enforceable under the Companies Act 2016, unless otherwise resolved by the company.
- The company may decide whether to revoke entirely the Constitution or amend certain clauses.
- If the existing company decides to revoke the existing M&A and NOT to have a specific constitution, the company must pass a resolution to that effect.
- In that scenario, under section 31(3) of the Companies Act 2016, the company, each director and member shall have the rights, powers, duties and obligations as set out in the Companies Act 2016.
- Similarly, a company must also pass a resolution to amend any part of its constitution should the company wish to harmonise its constitution with the provisions of the Companies Act 2016.

- For example, a private company may want to amend provisions relating to minimum directorships from current 2 to 1.
- Although a company is not required to have a constitution, it is still required to notify the Registrar of its nature of business or when there is a change to the company's nature of business. This information will be publicly available.

2.3 Registering a foreign company

Under the Companies Act 2016 (CA 2016), if a foreigner wishes to form a company, he must fulfil the following requirement for foreign director/member:

- must be above 18 years old.
- those who are named as the director of company should have a principal or only place of residence within Malaysia [Section 196 (4) (a) of the Companies Act 2016].

3.0 Protecting foreign investors interest and boosting confidence

The Malaysia government has emphasised on the need to build and maintain investor confidence in the administrative governance of the country, banking and legal system not only to attract new investors but also the keep the existing companies from going to other countries in the region that have in recent years been attracting foreign investors.

Countries such as Vietnam and Cambodia have seen steady foreign investor growth since the end of their internal political turmoil with many companies taking advantage of their low labour cost.

However, Malaysia has always had the advantage over most of the countries in the South East Asia region as it has a very skilled and educated population, and not prone to natural disasters such as cyclones, earthquakes and volcanic eruptions.

4. Tax rates in Malaysia

4.1 Income Tax

Expatriates who do not qualify for tax residency in Malaysia are taxed on all their Malaysia sourced income at a flat rate of 26% before 2016, and at a flat rate of 28% from the 2016 assessment year onwards.

For expatriates who qualify for tax residency, Malaysia has a progressive personal income tax system in which the tax rate increases as an individual's income increases, starting at 0%, and capped at 25% before the assessment year of 2016, and 28% from 2016 onwards.

The rates applicable to each bracket of income (for locals and expatriates) are as follows:

The exchange rate between Australian Dollar (AUD) to Malaysian Ringgit (RM) is AUD$1.00 = RM3.40 (Feb 2017)

Table of tax rates 2016-2017

Taxable Income	Tax Calculation	Tax Rate (%)	Tax Amount
RM 0 to 5000		0	RM 0
RM 5,001 to 20,000	On the First 5,000 Next 15,000	1	RM 0 RM 150
RM 20,001 to 35,000	On the First 20,000 Next 15,000	5	RM 150 RM 750
RM 35,001 to 50,000	On the First 35,000 Next 15,000	10	RM 900 RM 1,500
RM 50,001 to 70,000	On the First 50,000 Next 20,000	16	RM 2,400 RM 3,200
RM 70,001 to 100,000	On the First 70,000 Next 30,000	21	RM 5,600 RM 6,300
RM 100,001 to 250,000	On the First 100,000 Next 150,000	24	RM 11,900 RM 36,000
RM 250,001 to 400,000	On the First 250,000 Next 150,000	24.5	RM 47,900 RM 36,750
RM 400,001 to RM 600,000	On the First 400,000 Next 200,000	25	RM 84,650 RM 50,000
RM 600,001 to RM 1,000,000	On the First 600,000 Next 400,000	26	RM 134,650 RM 104,000
Exceeding RM 1,000,000	On the First 1,000,000 Next RM	28	RM 238,650

In Malaysia, the tax year runs in accordance with the calendar year, beginning on 1 January and ending on 31 December. All tax returns must be completed and returned before 30 April of the following year.

Residency for Tax Purposes

In Malaysia, regardless of citizenship, if an individual satisfies any of the following criteria then he or she is considered to be liable for income tax:

- The individual has been resident in Malaysia for 182 days of the tax year.
- The individual has been resident in Malaysia for less than 182 days of the tax year, but was resident in the country for a total of 182 consecutive days linked to days from the year immediately preceding or following that tax year.
- The individual has been resident in Malaysia for at least 90 days of the current tax year and was resident in Malaysia for at least 90 days in three of the four preceding years.
- The individual will be resident in Malaysia in the year following and has been resident in Malaysia in the three years preceding the one being taxed.

Anybody meeting any of these criteria is liable to pay income tax in Malaysia.

The type of form you will have to fill out depends entirely on your source of income. You can now fill out the forms online at www.hasil.gov.my. This website often comes up automatically in Malay, but there is an icon in the top right hand corner of the page which allows you to switch the language to English.

4.2 Goods and Services Tax (GST)

The Goods and Services Tax (GST) was implemented effective from **1 April 2015** with the current GST rate fixed at **six per cent (6%)**. Sales tax and service tax have been abolished. (Sales tax and service tax rates were 10% and 6% respectively.)

The implementation of the GST was generally not well received by the Malaysian public and has been the subject of intense debate with the opposition coalition voicing their concern that it is a burden on the people and declaring as part of their manifesto, to abolish the GST should they be elected into power.

Is a company required to register for GST?

GST is a self-assessed tax and businesses are required to continually assess the need to be registered for GST. GST registration falls into two categories: compulsory registration and voluntary registration.

- Compulsory registration

Registering for GST is compulsory when the turnover of your business is more than RM500,000 (AUD146,431) for the past 12 months – known as the retrospective basis OR you are currently making sales and you can reasonably expect the turnover of your business to exceed RM500,000 (AUD146,431) in for the next 12 months – known as the prospective basis.

Note: Failing to register will attract penalties. There are anti-avoidance provisions to ensure that entities are not established merely to keep turnovers less than the threshold and thereby avoid registration.

- Voluntary registration

You may apply to voluntarily register for GST if you are not liable to compulsorily register and you satisfy the following conditions:

1. Your annual turnover is not more than RM500,000 (AUD146,431);
2. You only supply goods outside Malaysia (out-of-scope supplies); and
3. You make zero-rated supplies.

The advantage of voluntary registration is that you can enjoy the benefits of claiming input tax incurred in the course of your business. This is especially so when you make purely zero-rated supplies.

Note: Once you are voluntarily registered, you must remain registered for at least two years and you have to maintain all your records for at least seven (7) years, even after your business has ceased and you have deregistered from GST. You may also have to comply with any additional conditions that are imposed by the Royal Malaysian Customs Department.

5. Employment Laws in Malaysia

5.1 Employment Act, 1955

The Employment Act 1955 is the main legislation on labour matters in Malaysia.

The Employment Act provides minimum terms and conditions (mostly of monetary value) to certain category of workers:-

- Any employee as long as his monthly wages is less than RM2,000.00 (AUD585.73); and
- Any employee employed in manual work including artisan, apprentice, transport operator, supervisors or overseers of manual workers, persons employed on vessels and even domestic servants are classified as employees even if their wages is more than RM2,000.00 (AUD585.73) per month.

5.2 Employment (Restriction) Act 1968

Non-Malaysian citizens are required to obtain a valid work permit before they can be employed locally.

Working without a valid work permit is strictly illegal under the Immigration Act 1966.

5.3 Minimum Wages Order 2016

Minimum wage has been implemented in 2013 and has been closely observed thereafter.

Minimum wages are basic wages, excluding any allowances or other payments.

The Minimum Wages Policy also applies to employees who are paid on piece-rates, tonnage, trip or commission-based. Employers are required to supplement the wages of these employees if their income does not meet RM1,000 (AUD292.86) per month for Peninsular Malaysia and RM920 (AUD269.46) for Sabah, Sarawak and Labuan.

MINIMUM WAGES RATE *(as per Minimum Wages Order 2016)*

Regional areas	Monthly	Hourly	Daily – Number of days worked in a week: 6	5	4
Peninsular Malaysia	RM1,000 AUD292.86	RM4.81 AUD1.41	RM38.46 AUD11.26	RM46.15 AUD13.52	RM57.69 AUD16.90
Sabah, Sarawak and Labuan	RM920 AUD269.43	RM4.42 AUD1.29	RM35.38 AUD10.36	RM42.46 AUD12.43	RM53.08 AUD15.55

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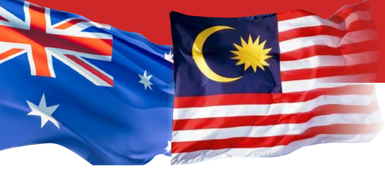

cultural synergies
INTERCULTURAL MANAGEMENT CONSULTANTS

CONNECTMALAYSIA
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Understanding Malaysian Culture for SMEs:

A Workshop by Dr Tom Verghese

Malaysia is one of Australia's top ten trading partners and the prospects for business have provided a beacon for SMEs to expand their operations into Malaysia.

However, many ventures have been cut short by cross-cultural blunders in matters such as language, etiquette, non-verbal communication and indifference to local customs and norms.

Cultural slip-ups on the surface might appear trivial – even humorous by Aussie standards, but the mistakes made in areas such as management, marketing, advertising and during negotiations have had devastating financial consequences.

About workshop presenter Dr Tom Verghese

Dr Tom Verghese was born in Malaysia and is an internationally renowned expert, consultant, author and main platform/workshop presenter on cross-cultural awareness and Cultural Intelligence (CQ).

Time: 9:00pm for prompt start 9:30am – 3:00pm, Saturday May 6, 2017

Venue: The office of MATRADE, Level 7, 432 St Kilda Road, Melbourne

Cost: $240 per person includes Malaysian lunch and refreshment breaks

The Understanding Malaysian Culture for SMEs workshop will conclude with presentations from representatives from banking, government and business facilitation consultancies.

To confirm your attendance or enquiries, please contact Mr. Chris Lonergan at Cultural Synergies by email at enquiries@culturalsynergies.com or telephone 03 9909 7456