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Malaysia

TAX

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This country-specific Q&A provides an overview of tax laws and regulations applicable in Malaysia.

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MALAYSIA
TAX

1. How often is tax law amended and what are the processes for such amendments?

Malaysian tax law typically undergoes amendments after the tabling of the annual Budget by the Government. Any enactments, amendments, or repealing of legislations requires the approval and passing of the Malaysia Parliament which consists of House of Representatives and Senate (Dewan Rakyat and Dewan Negara).

Apart from that, the Minister of Finance has the power to enact subsidiary legislation in the form of rules, regulations and orders on certain matters.

2. What are the principal procedural obligations of a taxpayer, that is, the maintenance of records over what period and how regularly must it file a return or accounts?

Malaysia practices self-assessment in filling of tax returns. Taxpayers are required to disclose their taxable income, any claims for expenses or allowances, and otherwise whilst filling their returns annually which should be done within seven months from the date following the close of the accounting period. These returns are subject to the scrutiny of the tax authority who may issue assessments and additional assessments if there has been any under-reporting of income.

Taxpayers must maintain records for a period of 7 years after the end of year which the return is furnished. This include books of account and any documents evidencing receipts, payments or otherwise necessary to verify the entries in the books of account.

3. Who are the key regulatory authorities? How easy is it to deal with them and how long does it take to resolve standard issues?

The key tax authority in Malaysia is the Inland Revenue Board (IRB). It is a body corporate established under the Inland Revenue Board of Malaysia Act 1995. It acts as an agent of the Government to administer and collect taxes and duties from taxpayers.

Taxpayers' experiences with the IRB and may vary depending on the complexity of issues, quantum of taxes in dispute as well as financial key performance indicators imposed on IRB collection officers.

In some cases, tax audits or tax investigations may take up to several years and consequentially, notwithstanding a statutory time bar of five years after the expiration of a particular year of assessment (Section 91 of the ITA), time-barred assessments may be raised by the IRB. The IRB publishes its Tax Audit & Investigation Framework online, which sets out key processes which taxpayers can generally expect in an audit or investigation.

4. Are tax disputes capable of adjudication by a court, tribunal or body independent of the tax authority, and how long should a taxpayer expect such proceedings to take?

Taxpayers who are aggrieved by an assessment raised by the Director General of Inland Revenue (DGIR) can have their issues adjudicated in court and/or an independent tribunal called Special Commissioners of Income Tax (SCIT). The SCIT is appointed by the Yang di-Pertuan Agong of Malaysia and is the direct recourse of appeal against any assessment by the IRB.

Taxpayers intending to go before the SCIT must file a Form Q with its grounds of appeal to the DGIR within 30 days from the service of the assessment (or if it is an advance assessment, within the first three months of the year of assessment following the year of assessment for which the assessment was made).

On receipt of the notice of appeal, the DGIR has 12 months to review the assessment (DGIR may apply to the Minister for an extension should the DGIR requires more than 12 months) and if there is no reasonable prospect of coming to an agreement with the taxpayer, the DGIR will send the appeal forward to the SCIT; where he sends an appeal forward, he shall give the taxpayer written notice that he has done so. Such appeal will be heard either by 1 or more members of the SCIT. The whole process often takes around 2 to 3 years, depending on the caseload of the SCIT. Consequently from the disposal of the appeal before the SCIT, the taxpayer may appeal to the High Court.

In exceptional circumstances, instead of appealing to the SCIT, taxpayers aggrieved by an assessment may choose to file a judicial review application at the High Court. Judicial review is suitable in disputes involving only questions of law (and no disputes of facts). The process for judicial review is generally quicker and typically takes around 1 year.

5. Are there set dates for payment of tax, provisionally or in arrears, and what happens with amounts of tax in dispute with the regulatory authority?

Taxes payable under an assessment for a year of assessment are due and payable on the due date whether or not that person appeals against the assessment.

Taxpayers are required to make payment of taxes for the amount raised by the IRB within 30 days from service of the assessment. Failure to make payment of taxes on time would result in imposition of additional penalties.

6. Is taxpayer data recognised as highly confidential and adequately safeguarded against disclosure to third parties, including other parts of the Government? Is it a signatory (or does it propose to become a signatory) to the Common Reporting Standard? And/or does it maintain (or intend to maintain) a public Register of beneficial ownership?

Section 138 ITA provides that all officers and employees of the IRB must treat all confidential materials with confidentiality. Confidential materials are any documents in relation to the ITA. The ITA prohibits officers or employees of the IRB from disclosing any information to the court unless the court proceeding is in relation to the ITA.

Further, the law does not prevent the production or disclosure of classified material to or the use of classified material by the Auditor-General where necessary or expedient for the proper exercise of the functions of his office, or the DGIR from publicizing, from time to time in any manner as he may deem fit, particulars in respect of a person who has been found guilty or, convicted of any offence or dealt with pursuant to certain sections under the ITA unless voluntary disclosure has been made before any investigation or inquiry has been commenced.

Malaysia has been a signatory of automatic exchange of information relating to financial accounts (AEOI) since 2018 under the Convention on Mutual Administrative Assistance in Tax Matters. Pursuant to that and as of August 2022, the Mutual Administrative Assistance Convention is in force in Malaysia.

In light of the Common Reporting Standard (CRS), Malaysia's financial institutions are required to collect and report to the IRB all financial account information on non-residents. The IRB will exchange this information with the participating foreign tax authorities of these non-residents. Malaysia has committed to exchange CRS information from 2018 and would also be receiving financial account information on Malaysian residents from other countries' tax authorities. This will help ensure that residents with financial accounts in other countries are complying with their domestic tax laws and act as a deterrent to tax evasion.

7. What are the tests for residence of the main business structures (including transparent entities)?

The main test would be the "management and control test".

Some guidance issued by the Organisation for Economic Cooperation and Development (OECD) include[1]:

a. The management and control test refers to the controlling authority which determines the policies to be followed by the company. Management and control is considered to be exercised where the directors meet to conduct the company's business / affairs irrespective of where the company might be incorporated.
b. The location of the trading activities or the place of physical operations may not necessarily be the place of management and control.
c. The appointment of a local director or local board of directors in Malaysia does not

determine the residence status of a company.

d. Control by the directors determines the management and control of a company.
e. Residence status of a director does not determine the residence status of a company

Companies or bodies of persons carrying on a business[2]

Under Section 8(1)(b) of the ITA, a company or a body of persons (not being a Hindu Joint Family) carrying on a business or businesses is resident in Malaysia for the basis year for a year of assessment if at any time during that basis year the management and control of its business or of any one of its businesses, as the case may be, is exercised in Malaysia;

Any other Company of body of persons

Under Section 8(1)I of the ITA, any other company or body of persons (not being a Hindu Joint Family) is resident in Malaysia for the basis year for a year of assessment if at any time during that basis year the management and control of its affairs are exercised in Malaysia by its directors or other controlling authority such as a board of management / directors. As for investment holding companies, the management and control of its affairs includes the management and important decisions in respect of investments[3].

Footnotes

1 See Information on residency for Malaysian tax purpose by OECD < https://www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/tax-residency/Malaysia-Residency.pdf> p.3/4 2 See Ibid p.2/4 3 See Ibid.

8. Have you found the policing of cross border transactions within an international group to be a target of the tax authorities' attention and in what ways?

Yes, there has been an increase in transfer pricing audits conducted by the IRB, especially where the volume of related-party transactions is significant. This is consistent with the IRB's increasingly aggressive stance in enforcing transfer pricing rules.

Malaysia's transfer pricing policies largely mirror the OECD 2017 Transfer Pricing Guidelines. With the coming into force of recent amendments, imprisonment for a term not exceeding six months and/or a fine (penalty if no prosecution is instituted) ranging between RM 20,000 and RM 100,000 will be imposed on companies that fail to furnish contemporaneous transfer pricing documentation upon request by the IRB, effective on 1 January 2021. Further, a new surcharge of up to 5% would be imposed on the transfer pricing adjustment amount.

It is worth noting that the Malaysia Transfer Pricing Guidelines is applicable to:

a. Businesses with gross income exceeding RM 25million, and total amount of related party transactions exceeding RM 15 million.
b. Financial assistance exceeding RM 50 million[4]

Footnotes

4 See Transfer Pricing Guidelines by Inland Revenue Board of Malaysia <http://phl.hasil.gov.my/pdf/pdfam/Malaysian_Transfer_Pricing_Guidelines_2017.pdf>

9. Is there a CFC or Thin Cap regime? Is there a transfer pricing regime and is it possible to obtain an advance pricing agreement?

Malaysia does not currently have CFC rules in place.

In anticipation of the introduction of thin capitalisation rules, Section 140A(4) of the ITA was introduced and came into force on 1.1.2009. However, the thin capitalisation rules were never introduced and Section 140A(4) was subsequently deleted by the Finance (No. 2) Act 2017.

In lieu of the thin capitalisation rules, Malaysia introduced earning stripping rules (**ESR**). Section 140C was inserted by the Finance Act 2018. Thereafter, the Income Tax Restriction on Deductibility of Interest) Rules 2019 (**Rules**) were made which came into effect on 1 July 2019. In short, ESR restricts a taxpayer's deductibility of interest expense in connection with any financial assistance in a controlled transaction to a maximum prescribed amount.

The Rules apply to a person whose interest expenses for financial assistance in a controlled transaction exceeds RM 500,000 in the basis period of a YA. Currently, the prescribed maximum amount is 20% of the amount of the taxpayer's tax-EBITDA from each of his business sources for the basis period of a YA.

Pursuant to Section 138B ITA, taxpayers can apply for advance rulings in respect of a proposed arrangement.

10. Is there a general anti-avoidance rule (GAAR) and, if so, in your experience, how would you describe its application by the tax authority? Eg is the enforcement of the GAAR commonly litigated, is it raised by tax authorities in negotiations only etc?

Yes, Section 140 of the ITA provides vast powers for the DGIR to disregard or vary transactions where there is reason to believe that any transaction has the direct or indirect effect of altering the incidence of tax, relieving any person from any tax liability, evading or avoiding any duty or liability, or hindering or preventing the operation of the ITA.

Section 140A further provides specifically on transfer pricing that where the DGIR has reason to believe that property or services are acquired or supplied at a price which is either less than or greater than the price which it might have been expected to fetch if the parties to the transaction had been independent persons dealing at ’rm’s length, he may substitute the price in respect of the transaction to reflect an ’rm’s length price for the transaction.

Assessments raised under Section 140 and Section 140A have been litigated in the Malaysian courts. Amongst others, the courts have held that Section 140 can only apply to taxpayers who engage in tax avoidance and tax evasion. It has no applicability to a taxpayer who mitigates his liability to tax in a manner permitted by law5. The courts have also held that the tax authority in issuing assessments pursuant to its powers under Section 140A ITA has a duty to give reasons for its decision[6].

Footnotes

5 Sabah Berjaya Sdn Bhd v Ketua Pengarah Jabatan Hasil Dalam Negeri [1999] 3 CLJ 587; Ensco Gerudi (M) Sdn Bhd v Ketua Pengarah Hasil Dalam Negeri (Application No. 25-101-05/2013) 6 Ensco Gerudi (M) Sdn Bhd v Ketua Pengarah Hasil Dalam Negeri [2021] 9 CLJ 918

11. Is there a digital services tax? If so, is there an intention to withdraw or amend it once a multilateral solution is in place?

Yes. Effective 1 January 2020, digital service has been made taxable under the Service Tax Act 2018 (STA)[7]. Local and foreign service providers[8] who provide digital services are required to charge 6% service tax on the digital service they provided (for foreign service providers it will be applicable to the service provided to consumers in Malaysia)[9], if they fulfil the relevant service tax registration threshold under the STA.

This is part of the Malaysian Government’s efforts to increase the indirect tax revenue following the abolishment of Goods and Services Tax (GST)[10] on 1st September 2018. At the moment, the Ministry of Finance has not expressed any intention or made any announcement to withdraw the imposition of service tax on digital service, especially by the foreign service providers.

Footnotes

7 See Item (l), Column 2, First Schedule of Service Tax Regulations 2018 which is applicable to local service providers and s.56A(1) of STA which is applicable to foreign service providers who are required to be registered and charge service tax. 8 <https://mystods.customs.gov.my/storage/app/media/pdf/guide/Guide%20on%20Digital%20Service_V2.1_01022021.pdf> 9 See Guide On Professional Services for local provider and Guide On Digital Services By Foreign Service Provider (FSP) published by Royal Malaysian Customs Department Internal Tax Division Putrajaya 10 equivalent of VAT in the UK

12. Have any of the OECD BEPs recommendations been implemented or are any planned to be implemented and if so, which ones?

Malaysia is the signatory to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI); it has recently joined the OECD Inclusive Framework on Base Erosion and Profit Shifting (BEPS) Package as an Associate Member and has implemented various regulations in line with the BEPS Action Plans, especially on the following:

Action 5: Countering Harmful Tax Practices More Effectively, Taking into Account Transparency and Substance

Action 6: Preventing the Granting of Treaty Benefits in Inappropriate Circumstances

Action 13: Guidance on Transfer Pricing Documentation and Country-by-Country Reporting

Action 14: Making Dispute Resolution Mechanisms More Effective

On top of participation in the Convention on Mutual Administrative Assistance in Tax Matters, Malaysia is also a signatory to the Multilateral Competent Authority

Agreement (MCAA) on Common Reporting Standards and Country by Country Reporting and is scheduled to start its automatic exchange of information with the other participating jurisdictions in September 2018.

Pillar Two

Recently on 01 August 2022, abiding by the decision made at the OECD level, Malaysia has agreed to implement global minimum tax of 15% on certain multinational companies pursuant to Pillar Two Model Rules11. The Income Inclusion Rule (IIR), being the main rule, is to be rolled out in 2023, while the backstop rule – the Undertaxed Payments Rule (UTPR) – is targeted to be implemented in the following year. All rules operate as "top-up" to a minimum tax of 15%. Malaysia will need to amend its domestic tax legislation to implement this. The possibility of Malaysia introducing Qualified Domestic Minimum Top-up Tax (QDMTT), being part and parcel of the GMT, was also mentioned in a pre budget statement on 3 June 2022[12.]

Pillar One

Further, Malaysia is also reviewing the technical details of Pillar One which introduces a new mechanism for allocating profit, which applies to MNEs with global revenue above €20 billion (approximately US$ 21 billion), and profit before tax above 10%, with 25% of profit above the 10% threshold (i.e., Amount A) to be reallocated to market jurisdictions. Pillar One also contemplates simplifying the application of the arm's length principle to in-country baseline marketing and distribution activities (Amount B), with further details to be developed. Pillar One also outlines a proposed approach to mandatory binding dispute prevention and resolution for Amount A.[13]

Footnotes

11 See Report by The Edge Markets <https://www.theedgemarkets.com/article/malaysia-has-agreed-implement-global-minimum-tax-multinational-companies-%E2%80%94-irb-ceo> 12 Ibid. 13 Ibid.

13. In your view, how has BEPS impacted on the government's tax policies?

Participation in the BEPS Framework has propelled and fueled Malaysia's drive to adhere to the global commitment to improve global transparency, identify the movement of global wealth flows and eliminate tax avoidance. This is affirmed by the Inland Revenue Board Chief Executive Officer Datuk Mohd Nizom Sairi who told the reporters that "Malaysia is actively involved in the working group discussions to ensure the interests of developing economies such as Malaysia are not left out of the policies made by OECD' after officiating the Third Malaysia Tax Policy Forum on 01 August 2022[14].

Through legislation, Malaysia has enacted various provisions setting out the information to be collected and reported by financial institutions of participating jurisdictions, which include financial account information, financial institutions required to report, the different types of accounts and taxpayers covered, implementation timelines as well as common due diligence procedures to be followed by financial institutions to promote and encourage disclosure.

Footnotes

14 See Report by The Star <https://www.thestar.com.my/business/business-news/2022/08/01/malaysia-agrees-to-implement-global-minimum-tax-on-mncs>

14. Does the tax system broadly follow the recognised OECD Model? Does it have taxation of; a) business profits, b) employment income and pensions, c) VAT (or other indirect tax), d) savings income and royalties, e) income from land, f) capital gains, g) stamp and/or capital duties. If so, what are the current rates and are they flat or graduated?

Yes.

Whilst Malaysia is not an OECD member country, Malaysia's territorial tax system broadly follows the recognised OECD Model. It is based on fiscal residence concept, charges taxation on business profits, dividends income, interests income, employment income, and other gains.

However one stark difference is that Malaysian law does not subject gains from disposal of real property or from sale of shares to income tax, unless the shares transacted are that of a real property company.

	Rates	Flat/Graduated
Business Profits	24% (standard corporate tax) For companies resident and incorporated in Malaysia which has a paid-up capital in respect of ordinary shares of two million five hundred thousand ringgit and less at the beginning of the basis period for a year of assessment, and gross income not exceeding RM50 million for that basis period: 17% on first RM600k and balanced taxed at 24% For otherwise companies: 24% on first RM100 million and balanced taxed at 33%	Flat
Employment income	0-30%	Graduated
Sales Tax	5% or 10% depending on class of goods	Flat
Service Tax	6%	Flat
Import Duties	2% to 60% depending on class of goods	Flat
Excise Duties	Composite rate or percentile of value of goods depending on its class	Flat
Tourism tax	RM 10/room per night	Flat
Royalty	Regular tax rates (subject to qualified exemptions under Schedule 6) 10% withholding tax on payments to non-residents falling under Section 4A of the ITA	Flat
Income from land	Regular tax rates	Flat
Capital gains	0% – 30% (Only for gains from disposal of real property or from sale of shares in a real property company)	Flat
Stamp duty	First RM100,000 of the property price : 1% From RM100,001 to RM500,000: 2% From RM500,001 to RM1 million: 3% Everything above RM1 million: 4%	Graduated

15. Is the charge to business tax levied on, broadly, the revenue profits of a business as computed according to the principles of commercial accountancy?

Yes. Taxable corporate income in Malaysia comprises income of any person accruing in or derived from Malaysia or received in Malaysia from outside Malaysia and includes, on top of gains or profits from a business, dividend, interest. These gains are taxable so long as they are realized, earned and receivable with certainty, not necessarily for it to have been received.

16. Are different vehicles for carrying on business, such as companies, partnerships, trusts, etc, recognised as taxable entities? What entities are transparent for tax purposes and why are they used?

Under the ITA, income tax is chargeable on any persons including individuals, companies, partnerships, limited liability partnerships, insurer, takaful, investment holding, trusts, co-operative society and etc. Individuals are natural person whereas companies are corporations incorporated under the Malaysian laws.

In respect of partnerships, it is the partners and not the partnership itself which is liable to personal income tax for profits earned under the partnership. By contrast, limited liability partnerships (LLP) are taxable as a separate taxable entity from the partners.

In respect of trusts, the ITA provides that any source forming part of the property of the trust, any source of a trustee of the trust, being a source of his or hers by virtue of specific provisions of the ITA and any income from any such source, save that gains arising from the realisation of investments from unit trusts, are all treated as income of the trust body of the trust. The income of the trust body of a trust is assessed and taxed separately from the income of a beneficiary from any source. Hence, income tax can only be charged once, either in the hands of the trustee or the beneficiary when it is paid out to the latter.

17. Is liability to business taxation based upon a concepts of fiscal residence or registration? Is so what are the tests?

Yes.

Section 8 of the ITA provides a company is a resident in Malaysia for that basis period if its management and control of its business are exercised in Malaysia or its management and control of affairs are exercised in Malaysia by its directors or controlling authority. This is similar to general partnerships and LLP.

For a trust, it is treated as resident in Malaysia if the trustee manager is a resident in Malaysia which carries on such business trust in Malaysia and the management and control of business is exercised in Malaysia.

18. Are there any special taxation regimes, such as enterprise zones or favourable tax regimes for financial services or co-ordination centres, etc?

Yes.

The Federal Territory of Labuan in East Malaysia is an offshore International Business and Financial Centre aimed to attract global investors and businesses by providing tax transparency in line with international standards.

Labuan entities are taxable in accordance with the Labuan Business Activity Tax Act 1990. These entities include Labuan companies, Labuan LLP, Labuan trusts and others which have business activity in Labuan territory. The tax rate in Labuan is at a flat rate of 3% on chargeable profits which shall be the net profits as reflected in the audited accounts in respect of its trading activity in Labuan. Notwithstanding that, Labuan taxpayers may elect to pay RM20,000 or to be charged under the common ITA.

In addition, there are free trade zones all around Malaysia comprising of Free Industrial Zone, Free Commercial Zone and Free Service Zone. These zones each have distinguished incentives mainly for deferral, reduction and elimination of certain duties and business taxes. They are dependent on the type of business activities, type of industries and zones.

Other than that, Malaysia is signatory to 5 investment corridors that were first mooted in the Ninth Malaysia Plan. It aims to shift investment focus away from the city of Kuala Lumpur. These corridors or special economic regions include East Coast Economic Region (ECER), Northern Corridor Economic Region (NCER), Iskandar Malaysia (IM), Sabah Development Corridor (SDC) and Sarawak Corridor of Renewable Energy (SCORE). Among others, the most striking incentive is the full income tax exemptions on first initial years of the business up to 10 years.

19. Are there any particular tax regimes applicable to intellectual property, such as patent box?

Yes.

Malaysia has introduced incentives for qualifying intellectual property (IP) income. The incentive is a full tax exemption up to 10 years for income received from qualifying IP activities as the owner of the IPs. The income must be in the form of royalty or licensing fees whereas the IPs must be patented or utility innovation, copyrighted software and family qualifying IPs that are interlinked as described by the Ministry. The company eligible for such exemption must be a resident in Malaysia, conducting R&D in Malaysia, filed with relevant body in or out of Malaysia, have at least 30% science and technical staff with minimum of 5 year experience, and incurred adequate expenses in relation. Deductions for qualifying R&D expenditure is as provided in the ITA which the incentive allowed the qualifying expenditures to be backdated up to 3 years from date of filing of the IP and can be in accordance with Cost Sharing Agreement so long as the cost is clearly stated in the agreement.

20. Is fiscal consolidation employed or a recognition of groups of corporates for tax purposes and are there any jurisdictional limitations on what can constitute a group for tax purposes? Is a group contribution system employed or how can losses be relieved across group companies otherwise?

Malaysia provides group relief for companies whereby subject to other statutory requirements, only a maximum 70% of loss can be surrendered to one or more related companies in the first three consecutive years of assessment from its adjusted loss. The first year is the year immediately following the basis period for a year of assessment the surrendering company first commences operation for at least 12 months. Other requirements including both companies must be resident in Malaysia, have paid-up capital of ordinary shares of more than RM2.5 million, has 12 months basis period ending on the same day and etc.

21. Are there any withholding taxes?

Yes unless provided otherwise in Double Taxation Agreements between Malaysia and other countries.

Withholding taxes must be paid in Malaysia for payments derived from Malaysia to non-residents such as interest, royalty, licensing fees, contractual payment for services rendered by the non-resident in connection with the use of property or installation of plant or apparatus, contractual payment for any advise given in connection with the management of a project, and for rent payable for use of moveable property.

22. Are there any recognised environmental taxes payable by businesses?

As of July 2022, there are no environmental tax of any forms in Malaysia. However, the government has introduced certain incentives to encourage green initiatives. They are Green Investment Tax Allowance (GITA) on Green Assets, GITA on Green Projects, Green Income Tax Exemption (GITE) on Green Services, and GITE on Solar Leasing Services.

23. Is dividend income received from resident and/or non-resident companies exempt from tax? If not how is it taxed?

The dividend income received from a resident is not taxable in the hands of the shareholders provided that the dividend is paid, credited or distributed by a co-operative society or a company that is not entitled to deduct tax under the ITA in relation to the dividend. For dividend income received from non-resident companies, they are also not taxable by virtue of the Income Tax (Exemption) (No. 5) Order 2022.

24. If you were advising an international group seeking to re-locate activities from the UK as a result of Brexit, what are the advantages and disadvantages offered by your jurisdiction?

Malaysia is one of the UK's largest trading partners in the region and the Malaysian government has consistently introduced and maintained a large gamut of attractive tax incentives to encourage new investments in various sectors, especially in respect of research and development, high-technology and green technology.

Further, Malaysia has significant trade ties with China, which has been its largest trading partner for 13 consecutive years, and with bilateral trade hitting a record high US$176.8 billion) for last year.[15] The One Belt and One Road Initiative (OBOR) will open up more trade opportunities for Malaysia due to the two trade routes, namely, the land-based "Silk Road Economic Belt" and the seagoing "21st Century Maritime Silk Road"[16]. Malaysia also has in place multiple special economic regions offering different tax incentives and the Labuan taxation regime in place to boost and attract investment.

As an Associate Member to the BEPS Package, and in light of the recent introduction and enaction of various legislations in line with the BEPS Action Plans, Malaysia is expected to continue to improve on transparency and accountability to bolster the economic and financial infrastructure that are in place.

Disadvantages:

The recovery from the Malaysian triple crises – of economic, health and political – is clouded by a number of factors. One, the political instability in Malaysia is expected to continue for some time. Within a period of less than 4 years, there has been a change of 3 governments. However, it is worth noting that the recent passing of the anti- hopping law in July 2022 is a 'game-changer'[17] that will curb defections (seen as one of the key reasons of political instability in Malaysia). It is hoped that this law would contribute to restoration of public confidence and in improving voter turnout rate[18].

Perceived issues with corruption remain unchecked. Despite globally reported scandals (of which 1MDB remains the most notable), there has been minimal reform to improve perceived institutional and systemic weaknesses. That said, the recent decision of the Federal Court in upholding the former Prime Minister's conviction is undoubtedly a positive indicator to global investors that the Malaysian judicial system is committed towards the eradication of corruption.

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