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Malaysia News:

Ongoing Compliance – Important dates for businesses

November 2019



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Businesses established in Malaysia are subject to various legal, accounting, audit and tax compliance obligations. These obligations may create an appearance of complexity. But this is not the case as long as you keep certain important dates clearly in mind.

Compliance with deadlines will allow you to avoid penalties, fines and/or imprisonment, that could be imposed on both the company and its directors.

In this newsletter, we will focus on the most commonly used business entities for local entrepreneurs and foreign investors, namely:

- Limited Liability Partnership (“LLP”);
- Private Limited Company (called *Sendirian Berhad* in Bahasa Malaysia or “Sdn Bhd”); and
- Branch.

Deadlines can be classified as: **one-off events, annual or monthly requirements.**

Though by no means an exhaustive guide to compliance obligations in Malaysia, this newsletter aims to present an overview of key deadlines for your business.

	Requirement	Relevant for:			Exemption	Deadline
		Sdn Bhd	LLP	Branch		
One-off events						
Audit	Appoint an auditor	✓		✓	Some exemptions such as dormant companies, zero-revenue and threshold-qualified private companies	For a Sdn Bhd, the auditor should be appointed at least 30 days before the end of the period for the first filing of your AFS ¹ . Ideally, the auditor should be appointed immediately after establishment. For a branch, the auditor should be appointed according to the relevant law of the foreign company.
Tax	Appoint a tax agent	Not mandatory but advisable				Ideally, the tax agent should be appointed within 3 months from the date of commencement of the operations.
	Register for company income tax file	✓	✓	✓		The tax registration should be completed within 3 months from the beginning of the basis period for that year of assessment.

¹ Audited Financial Statements (“AFS”).

	Requirement	Relevant for:			Exemption	Deadline
		Sdn Bhd	LLP	Branch		
Payroll	Register for employer tax file (MTD ² scheme registration)	✓	✓	✓		MTD registration should be completed no later than 1 month from commencement of employment.
	Register with the HRDF ³ and submit of relevant documents	✓	✓	✓	There are many exemptions to the HRDF registration requirement. It is advisable to check with HRDF.	HRDF registration should be completed no later than 30 days after exceeding the number of employees threshold.
	Register for retirement scheme's EPF ⁴	✓	✓	✓	Previously registered employees	EPF registration should be completed within seven days of hiring local employees.
	Register for employment scheme's SOCSO ⁵ and insurance system EIS ⁶	✓	✓	✓		SOCSO and EIS registration should be completed within thirty days of hiring.
Annual obligations						
Audit	Audit accounts	✓		✓		For a Sdn Bhd, accounts should be audited before circulating financial statements. For a branch, accounts should be audited according to the relevant law of the foreign company.
Annual Submission to SSM ⁷	File annual return to SSM	✓		✓		The annual return should be filed with SSM no later than 30 days from the anniversary of the establishment date.
	File Annual Declaration ⁸		✓			<u>First year of establishment:</u> the first Annual Declaration shall be lodged not later than 18 months from the date of the registration. <u>Subsequent periodical deadline:</u> every LLP should lodge the Annual Declaration annually within 90 days from the end of the financial year.

2 Monthly Tax Deduction ("MTD"): Under Monthly Tax Deduction (called *Potongan Cukai Bulanan* in Bahasa Malaysia "PCB" or "MTD"), employers deduct monthly tax payments from the employment income of their employees. The amount of monthly deduction depends mainly on the employee's income, marital status and number of children.

3 Human Resources Development Fund ("HRDF").

4 Employment Provident Fund ("EPF").

5 Employment Injury Scheme and Invalidity Scheme (altogether "SOCSO").

6 Employment Insurance System ("EIS").

7 Companies Commission of Malaysia called *Suruhanjaya Syarikat Malaysia* in Bahasa Malaysia ("SSM").

8 Annual Declaration: a declaration made by partners that the LLP is able or not able to pay its debts as they become due in the normal course of business and accompanied by other required particulars.

	Requirement	Relevant for:			Exemption	Deadline
		Sdn Bhd	LLP	Branch		
AFS	Prepare and circulate financial statements and annual report	✓				<p><u>First year of establishment:</u> financial statements and the annual report should be prepared and circulated within 18 months from the establishment date.</p> <p><u>Subsequent periodical deadline:</u> financial statements and the annual report should be prepared and circulated within 6 months of the financial year end.</p>
	File financial statements	✓		✓	EPC ⁹	<p>For a Sdn Bhd, financial statements should be filed within 30 days from when the financial statements and reports are circulated to its members.</p> <p>For a branch, a copy of each of the head office and the branch's financial statements made up to the end of its last financial year should be filed within two months of the head office's annual general meeting.</p>
Tax	File tax prior estimate	✓	✓	✓		<p><u>First year of establishment:</u> tax prior estimate should be filed within 3 months from the date of commencement of operations.</p> <p><u>Subsequent periodical deadline:</u> tax prior estimate should be filed no later than 30 days before the beginning of the basis period for that year of assessment.</p> <p>In the sixth and/or ninth month of the basis period, the company may submit a revised tax estimate.</p>
	File annual tax return	✓	✓	✓		The annual tax return should be filed within 7 months after the closing of the accounting period.
	Pay the balance of tax payable	✓	✓	✓		The balance of payable should be paid on the due date for the submission of the tax return.
	Register with RMCD ¹⁰ for SST ¹¹ obligations (only for certain manufacturers and services providers)	✓	✓	✓	There are various exemptions depending on goods/services. It is advisable to check with RMCD.	SST registration should be completed within 1 month after exceeding the threshold (sales value or value of taxable services exceeding MYR 500,000 within the period of 12 months).

9 Exempt Private Company ("EPC"): a private company might be exempted from filing its financial statements if it meets the two following requirements: (i) no corporation either directly or indirectly holds any beneficial interest in the shares of your company; and (ii) the company has no more than 20 members, none of whom is a corporation.

10 Royal Malaysian Customs Department ("RMCD").

11 Sales and Service Tax ("SST").

	Requirement	Relevant for:			Exemption	Deadline
		Sdn Bhd	LLP	Branch		
Payroll	File MTD employer's annual form	✓	✓	✓		MTD employer's annual form should be filed before the 31 March of the following year.
	Provide employees with a yearly remuneration statement	✓	✓	✓		The employer should provide the yearly remuneration statement on or before 28 February of the following year.
Monthly obligations						
Tax	Pay tax monthly installments	✓	✓	✓		<p><u>First year of establishment:</u> instalment payments begin in the 6th month after the company commences operations.</p> <p><u>Subsequent periodical deadline:</u> monthly instalments begin from the second month of the basis period for a year of assessment.</p> <p>Instalment payment by the 15th day of each month, according to prior tax estimate.</p>
	File SST return (bi-monthly) and payment if registered for SST	✓	✓	✓	There are various exemptions depending on goods/services. It is advisable to check with RMCD.	SST return should be filed and SST should be paid no later than the last day of the month following the end of the taxable period (2 months).
Payroll	Pay HRDF monthly levy	✓	✓	✓	There are many exemptions to the HRDF registration requirement. It is advisable to check with HRDF.	The employer should pay HRD levy no later than the 15th day of the following month.
	Make MTD payments	✓	✓	✓	No exemptions but proportional tax	MTD should be paid on or before the 15th day of the following month.
	Pay monthly EPF contributions	✓	✓	✓		EPF should be paid on or before the 15th of the following month.
	Pay monthly SOCSO and EIS contributions	✓	✓	✓		SOCSO and EIS should be paid on or before the 15th of the following month.

How can we help?

We are happy to assist you with compliance obligations in Malaysia. Our 40 staff members, consisting of legal counsels, company secretaries, accountants as well as payroll and HR specialists enable us to provide compliance solutions for our clients' businesses in the region.

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