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**Malaysia – New Rules for
Returning Experts,
Workers in Treasury
Management Centers**

by KPMG, Kuala Lumpur
(KPMG in Malaysia is a KPMG
International member firm)

flash International Executive Alert

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This *Flash International Executive Alert* discusses rules issued in May 2012¹ concerning the Returning Expert Programme (“REP”) in Malaysia, as well as the income tax order issued in June 2012² regarding an exemption from tax for earnings attributable to work days outside Malaysia for certain non-citizen individuals working for an approved treasury management center.

REP³

REP is a program intended to encourage skilled Malaysian professionals to return to Malaysia and help boost the country's economic growth. The program is managed by the Talent Corporation Malaysia Berhad and approved by the government.

Effective from 2012 onwards, the employment income of an approved individual under the REP is taxed at an optional flat rate of 15 percent for a period of five years. The optional flat rate applies to an individual:

- (a) whose application has been approved by the Minister of Finance (“MOF”);
- (b) whose income is received from an employment with any person resident in Malaysia; and
- (c) whose employment commences on or after 1 May 2011.

The rules apply to the five consecutive years beginning from the year the approved individual opts to be subject to the 15-percent tax rate.

An approved individual is an individual who:

- (a) is a Malaysian citizen resident in Malaysia;
- (b) has made an application under the REP, on or after 12 April 2011, but not later than 31 December 2020 – to be subject to tax at a flat rate of 15 percent and such application is approved by the MOF;
- (c) is an expert in a field specified by the MOF;
- (d) has not derived any employment income in Malaysia for at least a continuous period of 36 months prior to the date of the application; and
- (e) has never been previously approved under these Rules.

The flat rate tax ceases to apply to an approved individual if, in a calendar year during the five consecutive-year period, the individual ceases to be employed by any resident person in Malaysia.

KPMG Note

The tax rate of 15 percent is meaningful to a returning expert who earns annual chargeable income of at least MYR 106,135, which is computed as follows:

<i>Chargeable income (MYR)</i>	<i>Tax (MYR)</i>	<i>Average rate of tax</i>
100,000	14,325 *	
6,136 @ 26%	1,595	
-----	-----	
106,136	15,920	15%
=====	=====	

* Please refer to footnote 4 for the individual income tax rates for Malaysian tax residents.

MYR 1 = USD 0.326 / MYR 1 = EUR 0.253 / MYR 1 = AUD 0.312

Employment Income from Treasury Management Center

Currently, income attributable to work days exercised outside Malaysia is exempted from income tax for non-citizen individuals working for an approved operational headquarters company, regional office, international procurement center or regional distribution center. A non-citizen individual is deemed to be outside of Malaysia for a day if he/she is outside Malaysia for the whole of that day. Thus, the earnings of a qualifying individual that travels to a neighboring country such as Singapore or Thailand and works for the day would not be exempted if the individual were to enter or exit Malaysia within the same day.

With effect from year 2012, the exemption has been extended to non-citizen individuals working with an approved treasury management center.³

The term "treasury management center" means a company that is:

- (a) incorporated under the Malaysian Companies Act 1965 and resident in Malaysia;
- (b) carrying on a business of providing qualifying financial and fund management services in Malaysia as specified by the MOF; and
- (c) approved by the MOF.

Footnotes:

1 Income Tax (Determination of Approved Individual and Specified Year of Assessment under the REP) Rules 2012 made on 9 May 2012.

2 Income Tax (Exemption) (No. 3) Order 2012 made on 15 June 2012, by the Minister of Finance.

Footnotes (cont'd):

3 Refer to <http://www.talentcorp.com.my/malaysians-abroad/returning-expert-programme/> for the REP's qualifying criteria.

See also <http://www.talentcorp.com.my/malaysians-abroad/guide-rep/> for the REP's application guidance note.

4 Individual income tax rates for Malaysian tax residents are as follows:

	Chargeable Income	Rate	Income Tax Payable
	RM		RM
On the first	2,500		0
On the next	2,500	1%	25
	-----		-----
On the first	5,000		25
On the next	15,000	3%	450
	-----		-----
On the first	20,000		475
On the next	15,000	7%	1,050
	-----		-----
On the first	35,000		1,525
On the next	15,000	12%	1,800
	-----		-----
On the first	50,000		3,325
On the next	20,000	19%	3,800
	-----		-----
On the first	70,000		7,125
On the next	30,000	24%	7,200
	-----		-----
	100,000		14,325
	=====		=====
On all income above RM100,000		26%	
Effective:	Year of Assessment 2010		

For further information, please contact your local IES professional, or Datin Pauline Tam (tel. +60 (3) 7721 7017), with the KPMG International member firm in Malaysia.

KPMG's Global Mobility Forum

2 – 4 October 2012 in Toronto!

KPMG's **International Executive Services – Global Mobility Forum 2012** is designed to specifically address the vital issues associated with global mobility programs and the evolving environment for managing a global workforce – both today and in our ever-evolving world.

Our forum will include discussion and debate on issues that take us beyond the present and beyond borders, while providing a wide selection of workshops covering a spectrum of global mobility topics in greater depth. Networking time will enable you to discuss your challenges and share ideas with colleagues and KPMG professionals. We are excited to host this year's conference in Toronto, Canada, a dynamic, multi-cultural business center.

For more information, visit: <http://www.kpmg.com/Global/en/WhatWeDo/Tax/global-mobility-forum-2012/Pages/default.aspx>

The information contained in this newsletter was submitted by the KPMG International member firm in Malaysia. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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