

e-CTIM TECH 26/2013

27 February 2013

TO ALL MEMBERS

TECHNICAL

Direct Taxation

[MIDA GUIDELINES FOR APPLICATION FOR STATUS OF AND INCENTIVE FOR SETTING UP A TREASURY MANAGEMENT CENTRE \(TMC\)](#)

Further to our [e-CTIM No.124/2012](#), the above guideline has been recently issued by MIDA. The following are some salient points found in the guidelines:

TMC defined (Para 1)

A TMC is defined as a locally incorporated company that provides centralized treasury management services for its group of related companies within or outside the country.

Eligibility criteria (Para 2)

The following are the criteria for qualifying as an approved TMC: -

- A company incorporated under the Companies Act 1965;
- Minimum paid-up capital of RM0.5 million;
- Minimum total operating expenditure (excluding interest expenditure related to funding activities of the TMC and depreciation) of RM1.5 million incurred domestically per year of assessment.
- At least 3 senior professionals appointed to work under the TMC;
- Providing qualifying treasury services to at least 3 related companies outside Malaysia.

Qualifying activities (Para 3)

3 broad categories are listed under paragraph 3:

- i. Cash, financing and debt management: - this includes
 - Cash pooling arrangement;
 - Providing financing sourced from surplus funds to a related company in Malaysia or overseas;
 - Arranging for competitive financing from various sources of funds;
 - Providing or arranging for financial and non-financial guarantee for its group of companies;
 - Current account management (account payables and receivables; intercompany offsetting arrangement).
- ii. Investment services (investing funds within the group in domestic money market or foreign currency assets);
- iii. Financial risk management (hedging various risks including exchange rate risks, interest rate risk and commodity price risk).

(Please refer to the guidelines for full details.)

Incentives (Para 4)

The incentives granted to an approved TMC are:

- i. Exemption of 70% of statutory income arising from treasury services rendered by the TMC to

its offices or related companies for a period of 5 years, in respect of the following types of income:

- All fees/ management income from providing qualifying services to related companies in Malaysia and overseas;
 - Interest income /finance income from lending to related companies in Malaysia and overseas;
 - Interest /finance income and gains from placement of funds (onshore banks), or short term investments (onshore and offshore);
 - Realized foreign exchange revenue /gains from managing risks for the group (risks relating to exchange rate, interest rate, benchmark rate and commodity prices, market risk, credit /counterparty risk, and liquidity risk);
 - Premium /discount /gains pursuant to subscription of bonds /sukuk issued by related companies and financial institutions; and
 - Guarantee fees
- ii. Exemption from withholding tax on interest payments /profits on borrowings by the TMC provided the borrowed funds are used for conducting qualifying activities;
- iii. Full exemption from stamp duty on all loan /financing agreements and service agreements executed by a TMC in Malaysia related to the conduct of qualifying activities;
- iv. Expatriates working in a TMC are taxed only on the portion of chargeable income attributable to the number of days spent in Malaysia;
- v. Foreign Exchange Administration flexibilities;
- vi. No local equity conditions.

Income from qualifying services provided directly by a TMC to its related companies in Malaysia during the tax exempt period is exempt from tax provided such income does not exceed 20% of the income of the TMC from qualifying services.

Expatriate posts

Expatriate posts for a TMC will be approved based on the requirements of the TMC.

Application procedure

3 sets of the application should be submitted to:

Chief Executive Officer
Malaysian Investment Development Authority
Logistics and Regional Operations Division
MIDA Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur

Other matters referred to in the guidelines are:

- List of documents to be submitted with the application;
- For projects in Sabah and Sarawak, 3 copies of the application form are also to be submitted to the MIDA offices in those states (addresses given).

You can read the full text of the [guideline](#) and download the [forms](#) from the MIDA website.

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