

## SETTING UP AN OPERATIONAL HEADQUARTERS (OHQ)

---

### 1. Definition

An approved operational headquarters (OHQ) refers to a locally incorporated company that carries on a business in Malaysia to provide qualifying services to its offices or related companies within or outside Malaysia. The OHQ is prohibited from providing treasury and fund management services and corporate financial advisory services to non-related companies in Malaysia. An approved OHQ set up by a financial institution is also prohibited from providing treasury and fund management services to its related companies in Malaysia unless the related companies are institutions licensed under the Banking and Financial Institutions Act 1989 (BAFIA).

### 2. Eligibility Criteria

To qualify as an approved OHQ, the company must fulfil the following criteria:

- Local incorporation under the Companies Act 1965
- A minimum paid-up capital of RM0.5 million
- A minimum total business spending (operating expenditure) of RM1.5 million per year
- Appoint at least three senior professional/ management personnel
- Serve at least three related companies outside Malaysia
- A sizeable network of companies outside Malaysia which includes the parent company or its head office and related companies
- A well established network of companies with significant and substantial employment of qualified professionals and technical and supporting personnel
- Carry out three of the following qualifying services:
  - General management and administration
  - Business planning and coordination
  - Procurement of raw materials, components and finished products
  - Technical support and maintenance
  - Marketing control and sales promotion planning
  - Data/ information management and processing
  - Research and development work carried out in Malaysia on behalf of its offices or related companies within or outside Malaysia
  - Training and personnel management to its offices or related companies within or outside Malaysia
  - Treasury and fund management services to its offices or related companies outside Malaysia. The permissible activities are:
    - Providing credit facilities to related companies outside Malaysia in currencies other than the Malaysian Ringgit



- Transacting or investing in stocks and shares denominated in any currency other than the Malaysian Ringgit, and of companies not incorporated or resident in Malaysia
- Transacting or investing in securities other than stocks and shares denominated in any currency other than the Malaysian Ringgit (including bonds, notes, certificates of deposit and treasury bills) issued by foreign governments, foreign banks outside Malaysia, and companies which are neither incorporated nor resident in Malaysia
- Transacting or investing in certificates of deposit, notes and bonds denominated in any currency other than the Malaysian Ringgit issued by any offshore bank in Labuan
- Investing in foreign currency deposits with designated banks in Malaysia or with offshore banks in Labuan
- Foreign exchange transactions for hedging purposes only through authorised dealers and only in foreign currencies (not Malaysian Ringgit) with licensed offshore banks in Labuan
- Transactions involving interest rate/currency swaps for hedging purposes only through authorised dealers and only in foreign currencies (not Malaysian Ringgit) with licensed offshore banks in Labuan
- Transactions in financial futures contracts or options for hedging purposes only with a member of any exchange approved by the Central Bank of Malaysia

The above treasury and fund management services are allowed provided that the funds for carrying out the treasury and fund management activities are denominated in foreign currency other than the Malaysian Ringgit and are obtained through:

- Borrowing from authorised banks in Malaysia and offshore banks in Labuan;
- Its paid-up capital
- Its accumulated profits derived from qualifying activities
- The accumulated profits of its offices
- Borrowing from outside Malaysia

The OHQs set up by financial institutions are prohibited from providing treasury and fund management services to their related companies in Malaysia unless the related companies are institutions licensed under BAFIA.

- Corporate financial advisory services to its offices or related companies outside Malaysia. The permissible activities are:
  - Provision of corporate financial advisory services
  - Provision of credit administration denominated in currencies other than the Malaysian Ringgit for related companies



- Arrangement of credit facilities denominated in currencies other than the Malaysian Ringgit for related companies
- Arrangement of interest rate or currency swaps in currencies other than the Malaysian Ringgit
- An OHQ may take over claims held by related companies even from third parties outside Malaysia at a discounted price (factoring)
- All products and services which related companies invoice to each other can be re-invoiced by the OHQ (re-invoicing)
- Netting of payments, other than the export proceeds for goods exported from Malaysia, among the related companies vis-à-vis the OHQ is freely allowed
- An OHQ may purchase machinery, equipment or real estate with a view to lease them to its related companies (leasing)
- An OHQ may purchase machinery, equipment or real estate belonging to related companies with a view to lease them back to the same related companies (sales and lease back arrangements).

### 3. Incentives

An approved OHQ will be exempted from income tax for a period of 10 years for the following sources of income:

- **Business Income**  
Income arising from services rendered by an OHQ to its offices or related companies outside Malaysia
- **Interest**  
Income derived from interest on foreign currency loans extended by an OHQ to its offices or related companies outside Malaysia
- **Royalties**  
Royalties received from research and development work carried out in Malaysia by an OHQ on behalf of its offices or related companies outside Malaysia.

In addition, expatriates working in an OHQ are taxed only on that portion of their chargeable income attributable to the number of days that they are in the country.

Effective from the year of assessment 2003, income from qualifying services provided by an OHQ to its related companies in Malaysia during its tax exempt period is exempted from tax provided such income does not exceed 20% of the OHQ income from qualifying services.



#### 4. Other Facilities

Other facilities accorded to an approved OHQ are as follows:

- Expatriate posts will be approved based on the requirements of the OHQ.
- Borrow freely in Malaysian Ringgit up to RM50 million from domestic sources in Malaysia
- Open foreign currency or multi-currency accounts with onshore licensed banks in Malaysia to retain export proceeds in foreign currency up to an aggregate overnight balance equivalent to USD100 million regardless of the amount of export receipts
- Open foreign currency accounts with onshore licensed banks, licensed offshore banks in Labuan or overseas banks for crediting foreign currency receivables, other than export proceeds, with no limit on the overnight balances.
- Obtain any amount of foreign currency credit facilities from onshore licensed banks and licensed merchant banks in Malaysia and from any non-residents for their own use. Such credit facilities can also be extended to their related companies overseas or invested abroad if their aggregate domestic credit facilities in ringgit does not exceed RM50 million.
- Use the professional services of a foreign firm provided that such services are not available locally
- A foreign-owned OHQ is allowed to acquire fixed assets as long as it is used for the purpose of carrying out the operations of the OHQ.

#### 5. Procedure for Application:

- The application should be submitted in **three (3) copies** to:

**Director-General**

Malaysian Industrial Development Authority  
Manufacturing Services Division  
1<sup>st</sup> Floor, Plaza Sentral  
Jalan Stesen Sentral 5  
Kuala Lumpur Sentral  
50470 Kuala Lumpur  
MALAYSIA

Tel : (603)2267-3633  
Fax : (603)2273-4216  
E-mail : [services@mida.gov.my](mailto:services@mida.gov.my)  
Website : [www.mida.gov.my](http://www.mida.gov.my)

- The following documents should be submitted together with the application:
  - Certificate of Incorporation
  - Form 24 (return of Allotment of Shares)



- Form 49 (Particulars of Directors)
- Latest Annual Report of the company
- Other relevant information that can support company's application such as company profile as appendix in the application form
- Details on the expatriate posts applied for should be submitted using the format attached as the appendix in the application form.
- For project in Sabah and Sarawak, three (3) copies of the form should also be submitted to the relevant MIDA office as follows:

**Sabah**

**Director**

MIDA Sabah Office  
4<sup>th</sup> Fl., Bangunan Bank Negara Malaysia  
PO Box 11915  
88821 Kota Kinabalu  
Sabah, Malaysia

**Sarawak**

**Director**

MIDA Sarawak Office  
Room 404, 4<sup>th</sup> Fl.  
Bangunan Bank Negara Malaysia  
No 147, Jalan Satok  
PO Box 716  
93714 Kuching  
Sarawak, Malaysia



28 April 2005

**APPLICATION FOR  
OPERATIONAL HEADQUARTERS (OHQ)  
STATUS WITH TAX INCENTIVE AND/OR EXPATRIATE POSTS**

Type of application (Please tick (✓) where relevant):

- (a) Operational Headquarters (OHQ) Status With Tax Incentive
- (b) Expatriate Posts

---

**A. INFORMATION ON PROPOSED OHQ**

---

1. Type of company (Please tick (✓) where relevant):

- (a) Newly incorporated
- (b) Existing company operating in Malaysia:
- (i) Currently undertaking OHQ activities
- (ii) Propose to undertake OHQ activities

2. (a) Name of company:

\_\_\_\_\_

Date of incorporation:

Company registration no.:

\_\_\_\_\_

\_\_\_\_\_

(b) Correspondence address:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Contact person:

Designation:

\_\_\_\_\_

\_\_\_\_\_

Telephone no.:

Fax no.:

\_\_\_\_\_

\_\_\_\_\_

E-mail:

Website:

\_\_\_\_\_

\_\_\_\_\_



(c) Address of registered office :

---



---



---

Telephone no.:

Fax no.:

---



---

E-mail:

---

## 3. Project cost\*

	Existing (A)		Proposed (B)	
	<u>Unit</u> (A-i)	<u>RM</u> (A-ii)	<u>Unit</u> (B-i)	<u>RM</u> (B-ii)
(a) Fixed assets**				
(i) Land (Specify area in hectares):				
_____	_____	_____	_____	_____
(ii) Building (Specify built-up area in m <sup>2</sup> ):				
_____	_____	_____	_____	_____
(iii) Equipment	_____	_____	_____	_____
(iv) Others	_____	_____	_____	_____
	<b>Total fixed assets</b>	<b>_____</b>		<b>_____</b>
(b) Pre-operational expenditure		_____		_____
(c) Working capital		_____		_____
	<b>Total project cost</b>	<b>_____</b>		<b>_____</b>

Note:

\* For a newly incorporated, please fill in column (B-i) and (B-ii) only

\*\* If assets are rented/leased, please fill in item 3(d)

	Existing (A)		Proposed (B)	
	<u>Unit</u> (A-i)	<u>RM</u> (A-ii)	<u>Unit</u> (B-i)	<u>RM</u> (B-ii)
(d) Annual cost of rental/lease				
(i) Land (Specify area in hectares):	_____	_____	_____	_____
(ii) Building (Specify built-up area in m <sup>2</sup> ):	_____	_____	_____	_____
(iii) Equipment	_____	_____	_____	_____
(iv) Others	_____	_____	_____	_____
<b>Total rental/lease</b>	_____	_____	_____	_____

4. Financing*			
	Existing (A)	Proposed (B)	<b>Total</b> (C = A + B)
	<u>RM</u>	<u>RM</u>	<u>RM</u>
(a) Paid-up capital	_____	_____	_____
(b) Loan			
Domestic	_____	_____	_____
Foreign	_____	_____	_____
(Specify country of origin):	_____		
<b>Total</b>	_____	_____	_____
(c) Other sources (Please specify):			
_____	_____	_____	_____
_____	_____	_____	_____
<b>Total</b>	_____	_____	_____
<b>Total of (a), (b) and (c)</b>	_____	_____	_____

Note:

\* For a newly incorporated company, please fill in column (B) and (C) only

5. Equity structure:
- (a) Local: \_\_\_\_\_%
- (b) Foreign: \_\_\_\_\_%
- (Specify country of origin): \_\_\_\_\_
6. For an existing company, provide details of activities currently undertaken:
- (a) \_\_\_\_\_
- (b) \_\_\_\_\_
- (c) \_\_\_\_\_
- (d) \_\_\_\_\_
7. Qualifying services to be provided by OHQ
- |  |                          |
|--|--------------------------|
| (a) General management and administration  | <input type="checkbox"/> |
| (b) Business planning and coordination   | <input type="checkbox"/> |
| (c) Procurement of raw materials, components and finished products   | <input type="checkbox"/> |
| (d) Technical support and maintenance  | <input type="checkbox"/> |
| (e) Marketing control and sales promotion planning   | <input type="checkbox"/> |
| (f) Data/information management and processing   | <input type="checkbox"/> |
| (g) Treasury and fund management services to its offices or related companies outside Malaysia                           | <input type="checkbox"/> |
| (h) Corporate financial advisory services to its offices or related companies outside Malaysia                           | <input type="checkbox"/> |
| (i) Research and development work carried out in Malaysia on behalf of its offices or related companies outside Malaysia | <input type="checkbox"/> |
| (j) Training and personnel management to its offices or related companies outside Malaysia                               | <input type="checkbox"/> |

(Please provide details of qualifying services as Appendix)

8. List of subsidiaries/associated/related companies from which the OHQ Company will receive income (Please provide details on a separate sheet of paper if space is inadequate):

Name of company (subsidiary/associated companies)	Country	% of equity held*	Paid-up capital (RM)	Company activities	Qualifying Services (Please (✓) where relevant)									Estimated income receivable by OHQ	Types of income (dividend, interest, royalty, management fees & others)
					General Management & Administration	Business Planning & Coordination	Procurement	Technical Support & Maintenance	Marketing Control & Sales Promotion	Data/ Information Management	Treasury & Fund Management	Corporate Financial Advisory	R&D		

Note:

\* Indicate percentage of equity held by parent company/OHQ

## 9. Projected sources of OHQ income

Type of income	Estimated income of OHQ over the next 3 years (RM)				Amount (Average for 3 years) (RM)		
	Year 1 (_____)	Year 2 (_____)	Year 3 (_____)	Total	Held in Malaysia as reserves	Remitted to parent company	Reinvested in Malaysia
Dividend							
Royalty							
Interest							
Management fees							
Others							
<b>Total</b>							

## 10. Proposed business spending

Item of expenditure	Value (RM '000)		
	Year 1	Year 2	Year 3
(a) Rental*			
(b) Freight and storage			
(c) Transportation			
(d) Maintenance			
(e) Depreciation			
(f) Salary and wages			
(i) Expatriates	_____	_____	_____
(ii) Local staff	_____	_____	_____
(g) Housing			
(h) Travelling			
(i) Statutory contribution (e.g. EPF, SOCSO)			
(j) Utility			
(k) Communication			
(l) Printing and stationery			
(m) Interest			
(n) Bank charges			
(o) Others (Please specify):  _____			
<b>Total</b>			

Note:

\* If building is owned, please indicate the cost: RM \_\_\_\_\_

11. (a) Financial year end : \_\_\_\_\_  
 (b) Expected date of commencement of OHQ operation : \_\_\_\_\_
12. Employment structure

Category	Malaysian	Foreign national	Total
(a) Senior Management			
(b) Senior Executive in:			
(i) Marketing			
(ii) Treasury/finance			
(iii) Product/development			
(iv) Personnel			
(v) Purchasing			
(vi) General administration			
<b>Sub-total</b>			
(c) Technical/skilled staff/specialist staff			
(d) Executive (sales/administration/ operation)			
(e) Supervisory staff			
(f) Supporting staff			
<b>Total</b>			

---

**B. R&D EMPLOYEES FOR OHQ IN MALAYSIA**

---

Applicable for OHQ company undertaking R&D services

Category	Malaysian	Foreign national	Total
Research and development staff with:			
(a) Technical qualifications			
(i) Electrical & Electronic Engineering			
(ii) Mechanical Engineering			
(iii) Chemical Engineering			
(iv) Others (Please specify): _____			
(b) Science qualifications			
(i) Chemistry			
(ii) Physics			
(iii) Biotechnology/Microbiology			
(iv) Pharmacy			
(v) Computer Science			
(vi) Others (Please specify): _____			
(c) Other qualifications/experience ( Please specify): _____			
<b>Total</b>			

---

**C. PARTICULARS OF PARENT COMPANY**


---

Particulars of parent company

1. Name of company:

\_\_\_\_\_

Date of incorporation:

Country incorporated:

\_\_\_\_\_

\_\_\_\_\_

2. Address:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Contact person:

Designation:

\_\_\_\_\_

\_\_\_\_\_

Telephone no.:

Fax no.:

\_\_\_\_\_

\_\_\_\_\_

E-mail:

Website:

\_\_\_\_\_

\_\_\_\_\_

3. (a) Activities of company (Please tick (✓) where relevant):

Manufacturing	<input type="checkbox"/>	Construction	<input type="checkbox"/>
Services	<input type="checkbox"/>	Education	<input type="checkbox"/>
Agriculture	<input type="checkbox"/>	Others (Please specify):	<input type="checkbox"/>

\_\_\_\_\_

(b) Provide details on company activities

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

4. Number of subsidiaries/associated companies:

(Please provide a diagrammatic presentation on network of companies) \_\_\_\_\_

5. Company sales turnover, paid-up capital and major shareholders:

	<u>RM</u>
(i) Sales turnover	_____
(ii) Paid-up capital	_____
	<u>%</u>
(iii) Major shareholders (Please specify):	
_____	_____
_____	_____
_____	_____

---

**D. INFORMATION ON USAGE OF LOCAL SERVICES**

---

1. Accountant/financial advisor

Name of company: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Banker(s)

Name of bank: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Lawyer(s)

Name of firm: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

---

**E. EXPATRIATE POSTS**


---

Please complete this section if the applicant is applying for expatriate posts.

1. Details of expatriate posts applied for\*

Designation	Type of post (key/term post)	Number	Duration (years)

Note:

\* For each expatriate post applied for, please provide details as in Appendix I

2. Details of existing posts approved (if any)

Designation	Name and nationality	Duration approved	Date post filled	Expiry date of post

3. Please attach the organisation chart of the company indicating the positions of the expatriate posts.

---

**F.      DECLARATION**

---

I, \_\_\_\_\_, hereby declare that to the best of my knowledge,  
the particulars furnished in this application are true.

\_\_\_\_\_  
Signature  
(to be signed by the CEO or an authorised  
signatory of the company)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Designation

\_\_\_\_\_  
Company's seal

*10 December 2004*

**DETAILS OF EXPATRIATE POST**

1. Proposed designation: \_\_\_\_\_

2. Academic qualification:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Job description:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. Justification for application:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. Work experience:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_