EU-Malaysia Chamber of Commerce and Industry (EUMCCI) hopes for measures easing concerns on immigration, human resources and cashflow

Restarting the economy also requires a controlled opening of the border

KUALA LUMPUR, 3 June 2020, EUMCCI welcomes the initiative of the Malaysian government to announce another short-term recovery package to assist the restart of the economy. While the chamber has a long wishlist in regard to economic measures, we have to highlight the plight of expats and their families separated or stranded abroad. Without a controlled opening of the border, the economy cannot restart effectively.

With the recent opening of the economy and potentially an end of MCO/CMCO this month, EUMCCI hopes for a number of measures addressing the challenging situation of European corporations and SMEs in Malaysia. One of the biggest concerns for many company owners, top executives and technical experts is the ability to return to Malaysia, including close family members.

"Immigration is currently a major concern for the European business community. In a recent meeting with the government, we were informed that the situation is likely to improve based on new process proposed by the Immigration Department. However, this proposal still requires National Security Council's approval and might limit abilities of companies to bring specific and needed skillsets back to Malaysia. We made a number of suggestions and hope that dependents and family members of Expats calling Malaysia home will also be allowed to return", explained Sven Schneider, CEO of EUMCCI.

The European business community in Malaysia and stranded abroad is very concerned about the limitations to re-enter Malaysia and nearly all European chambers pointed out that investment projects are either on hold or being re-evaluated due this uncertainty. While Immigration matters could be resolved within the next two weeks, the chamber hopes for further action on taxation, labour law, licensing and public procurement.

The matter of taxation is prominently featured in recent news articles and certainly EUMCCI also advocates for lower corporate and personal income taxes, which would enable people and organisations to maintain spending and supporting the economy. "The chamber further considers the idea of a corporate tax flat-rate at 17% to compete with ASEAN and global FDI destinations. The main reason would be to respond to a likely fierce competition among global FDI destinations for a decreasing amount of FDI flows within 2020 and perhaps 2021', said Sven Schneider, EUMCCI CEO. In addition, a short-term zero-rating of SST could be an interesting measure to increase domestic consumption.

"Based on our recent engagement with members and bilateral partners, we acknowledge that the Malaysian labour law allows for limited flexibility to establish short-term work arrangements, unpaid leave schemes or similar measures to respond to extreme situations. In many European countries subsidy schemes to assist both employer and employee accompany the short-term or part-time work arrangements. To avoid a massive spike in unemployment and bankruptcies more flexible labour legislation is needed and other forms of support mechanisms should be considered', continued EUMCCI CEO, Sven Schneider.

As latest statistics from Malaysian authorities and many international institutions indicate, global and local economies are entering a phase of recession. In tendency such phases have enticed governments to close economies and resort to more protectionist measures. We appeal to the Malaysian government to remain open for business and remember the significant impact foreign businesses and their investments do have. Moreover, EUMCCI believes that this could become an opportunity to introduce even more business-friendly measures and steer away from preferential and protectionist policies. Foreign companies have higher paid-up capital requirements, pay higher licenses and fees in many cases. Public procurement should allow for a fair bidding process to foreign and local companies alike. In this context, we also wish to highlight the fact that fast payments and timely government facilitation are key to success. Even until today, many EUMCCI members are awaiting their GST refunds, a tax that has been replaced by SST.

If the Malaysian government wishes to restart the economy, EUMCCI and our members support a concerted and strategic effort wholeheartedly. We have provided our inputs to the Ministry of Finance as requested and hope that the government will give reasonable consideration. Lastly, we also strongly believe in long-term strategic partnerships and there the EU-Malaysia Free Trade Agreement offers a opportunity to respond to this global crisis. The negotiations have been stalled for years, while countries such as Vietnam have moved ahead and Indonesia entered into negotiations. EUMCCI encourages the government to take bold steps to restart the economy.

The EUMCCI represents 1600+ members from both European and Malaysian business communities operating in Malaysia. As an organisation, EUMCCI is committed to facilitating trade and investment between Europe and Malaysia that contribute towards nurturing a better business environment in the country. For media inquiries please contact email dedaridzwani@eumcci.com or mobile number at +6012-2916944

Annex 1

Extended EUMCCI's Wishlist on the short term Economic Recovery Plan – 2020

1. **Short Term Tax Reliefs:**

a) Tax holidays

- A tax holiday is a governmental incentive that reduces or exempts taxes on businesses.
- A tax holiday can encourage economic activity and foster growth.
- Tax holidays may be introduced by governments to help stimulate foreign investment.
- Tax holidays are believed to increase long-term tax revenue because they assist businesses to maintain or grow operations, which will create more taxable revenue for the tax authority in the future.
- Road tax holiday for commercial vehicle – to support transport operators lower operating cost

b) Tax / Investment Incentives not restricted only to new growth industries / sectors

- Besides promoting only on new growth sectors, tax / investment incentives should also be offered to major industries in Malaysia during this challenging period considering that these industries have been main contributors to the nation's GDP over the past years (Eg. E&E Industry, M&E Industry, Transportation Industry, Construction Industry, F&B Industry etc.).
- New growth industries / sectors are often cash absorbers and takes time to develop / materialize. For short term economic boost / stimulation, providing incentives to long loyal companies from cash generating / cash stable industries may be one of the option, to ensure that our loyal long term companies / investors could sustain over the pandemic and thereby restore economic growth.
- Happy loyal companies / investors provide good feedbacks that further boost the FDI market.
- Enhanced PPE terms - Making Malaysian public enterprise more attractive to private investment.
- Increase number of Double Taxation Agreements worldwide between Malaysia and other countries.

1.1 SST Reduction

- SST exemption for new vehicle purchase - support transport operators in acquiring new vehicles at lower cost. New vehicles and financing activities will also help transport operators kept running cost low as it has relatively lower operating cost over the first 3 years in operation. Improved productivity, efficiency and safety.

- SST exemption for maintenance and repair services acquired – support transport operators in keeping maintenance and repair cost low
- SST exemption for Contracted Services – motivate transport operators to subscribe to comprehensive repair and maintenance contract essential to managing operating cost
- Duty and tax exemption on spare parts – lower the operating cost for transport operators
- Digital service tax (DST) exemption – to motivate transport operators to adopt digitalization essential to improving productivity and efficiency

1.2 Corporate Tax Reduction

a) Negotiate attractive / easier financing terms for new investors – via Malaysian Banks with government support / guarantee

- Provide tax incentives and/or access to financing options to companies investing in digital transformation projects and/or R&D activities
- Review MSC status current conditions to attract innovative investments from startups
- Review/remove SST on digital advertising (i.e. Google)
- Supports to help business become more digital and online
- Income tax rebate for companies providing easy-payment schemes for vehicle repairs. Easy-payment schemes aim to ease transport operators cash flow
- Recommence negotiation for FTA with EU
- G2G negotiation with EU and European Countries to integrate logistic and facilitate the movement of goods and people

b) Government related industrial land or property developer to provide discounts for investor in buying / leasing industrial land / industrial properties / commercial properties. It is believed that should GLC developers kick-start this practice, private industrial land / property developer may follow.

- Expedite pending GST reimbursements to companies who are planning to use the money or part of it to invest
- Ease import duties for key products/materials/components utilized in the local manufacturing processes
- Attractive government bond rates
- Facilitate investment in SMEs/start-ups with MM2H type visa programmes but with rapid processing to attract entrepreneurs and investors to base themselves in Malaysia
- Clear in many countries that over reliance on China is a risk, particularly for life saving PPE for healthcare workers. Malaysia can take advantage of this by becoming an alternative supplier where quality and reliability can be guaranteed. Is there a way of becoming a one stop shop for PPE with clear international quality standards enforced and backed the key international clients.

- Implement Vehicle End of Life policy subsidy – provide subsidy to transport operators to scrap old vehicle. In the form of grant which to be used to acquire new vehicles.
- Refurbishment of government essential assets – e.g. Rapid buses, Bomba trucks, Marine boats through private financing scheme
- Increase vehicle safety to reduce fatality – make mandatory safety features; ESP, EBS, LDW, ACC, AEB etc

c) Ease of Doing Business in terms of new company incorporation

a. Lower Paid-Up Capital Requirement

Type of Company	Paid-Up Capital Requirement	Suggestion
100% Foreign Owned (Sdn Bhd)	RM500,000	A special package - lower minimum paid up capital requirement
Foreign owned companies running Wholesale, Retail and Trade (WRT). License is compulsory.	RM1,000,000	
Joint Venture (minimum foreign equity is 30%)	RM350,000	

b. Discounted registration fees for registration of foreign company

c. Lower paid up capital required to provide employment pass to incentivize investments from small companies

d. Support the digital transformation of the country through government or public-private programs

e. Programs to incentivize investments in food security and innovation in the agricultural sector

f. Relaxation in Licensing Criteria - Enabling more companies to do business directly in Malaysia without the need for a local partner to procure government or private contracts.

g. New business model for acquiring government essential assets – total solution approach in procurement; both capex and opex. Ease government upfront funding through private financing and secure assets integrity throughout useful life through robust maintenance regime