Issues and Requests Relating to Foreign Trade and Investment - Malaysia

	Category	No	Issue	Issue Details	Requests	References
1	Restrictions on Entry of Foreign Capitals	(1)	Restricted Foreign Capital Contribution Rate in Non-Manufacturing Sectors	- Restrictions on foreign investment is being liberalised in quite a few business sectors. While foreign investment into Government of Malaysia (GOM) (Foreign Investment Commission=FIC) Guideline has put 30% cap on foreign investment into power industry, on a case-by-case basis, GOM has been deregulating the cap on foreign capital ratio. In October 2011, Premier Najib Razak announced deregulation by stages the cap on 17 business sectors in the service industry, including private hospitals, medical-dental services, construction, engineering, financial-accounting service, legal service, courier service, education, training, telecommunication services, etc. - MITI issues manufacturing licences by industrial adjustment under the Promotion of Investment Act 1986 and the Income Tax Act 1967. MITI allows 100% foreign capital contribution in most business sectors excepting the followings that still remain: -- On 27 June 2009, deregulation on foreign capital control was released on the enterprises in financing and insurance sectors, raising the foreign capital ratio from 49% to 70% as regards Investment Bank, Islamic Bank, Insurance Co., and Takaful Insurance. However, foreign capital ratio remains unchanged at 30% on the domestic commercial banks and 20% on single foreign capitals. -- On 30 June 2009, FIC repealed "Guideline on the Acquisition, Merger/Takeover of Properties by Local and Foreign Interests" and FIC was dissolved. However, the capital terms will remain valid as to the existing enterprises on the licences and approvals already issued by the respective competent authorities.	- It is requested that GOM: -- approves 100% foreign capital ratio on enterprises in non-manufacturing sectors (NMS), and -- repeals or deregulates local capital participation requirement and its guideline in NMS. - It is requested that GOM: -- authorises 100% foreign capital contribution on non-manufacturing sector, and -- repeals the requirement for local capital participation in non-manufacturing sector, -- repeals the Guidelines, and -- effects further deregulation.	- Foreign Investment Committee Guideline on the Acquisition of Interests - Ministry of Domestic Trade, Cooperative and Consumerism (MDTCC) (Guidelines) - Foreign Investment Committee Guideline on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests (amended) of 1 January 2008
				(Actions) - On 26 July 2004, Datuk Mustapha Mohamed, Minister in The Prime Minister's Office, announced that GOM would not review the requirement for the 30% Bumiputera capital ratio in the non-manufacturing sectors, since this requirement forms the most important state policy. - On 1 December 2004, Ministry of Domestic Trade and Consumer Affairs implemented "Guideline for Foreign Investors' Entry into the Distribution Service Sector", which provides, among others, for the list of prohibited sectors for FFEs' entry, and restrictions on both the floor space in various distribution sectors and the numbers of stores. The list expressly prohibits an FFE's entry into supermarket (having more than 400sq.m and less than 2,000sq.m of floor space), mini-market (less than 400sq.m), food store, newly established 24-hour convenience store, newspaper shop, general shop, pharmacy of traditional medicine, petroleum station, traditional market roadside stand, etc.		

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				- Industrial Master Plan 2006-2020 released in August 2006 lays down the target share ownership by Bumiputera - From 18% in 2004 to 20-25% by 2010, and 30% by 2020. - Secretary Effendi of Office of Prime Minister announced that the share ownership of Bumiputra in 2005 was 21.8%. - On 8 October 2011, Premier Najib Razak announced that he would deregulate capital restrictions in stages from 2012 on the 17-Service Sectors, including the 17-Sub-Service Sectors, such as Private Hospitals, Medical/Dental Specialist Services, Architectural Services, Engineering Services, Accounting/Taxation Services, Courier Services, Legal Services, Technical and Vocational Schools, and Telecommunications, Moreover, in addition to repeal of restrictions, tax preferential measures would be made in Hotel/Educational/Tourism Industries, Research & Development. Thus, governmental support will be intensified upon Service Industries that would propel the economic growth. **(Improvement)** - On 30 April 2000, the foreign capital equity ratio in the domestic communication industry was raised to 61% (from 30% to 49% in February 1998, and from 49% to 61% in April 1998), on conditions that:1) the ceiling is lowered to 49% within 5 years, and 2) foreign-funded enterprises will procure funds from overseas. - As regards the manufacturing sector, GOM improved the foregoing restrictions, by authorising the IPC functions to a 100% FFEs. - On 2 My 2003, GOM published its economy stimulating policy and reviewed the Guideline issued by Foreign Investment Committee: -- Up to 70% by foreign capital has been approved excluding the 30% for Bumiputera (which requirement is applied also to the criteria for listing in the KLSE Stock Exchange). -- The approval basis of FIC concerning the acquisition of the shares in the local business entities by a foreign capital has been raised from the current MR5 million to MR310 million. - GOM has authorized 100% foreign capital ownership to the enterprises that have acquired the MSC (Multimedia Super Corridor), IPC (International Procurement Centre), RDC (Regional Distribution Centre), OHQ (Operational Headquarters) and to those that have acquired the R&D Incentives. - In August 2006, Central Bank of Malaysia (BNM) deregulated the restrictions on foreign capital ratio from 30% to 49% - In March 2007, Prime Minister Abdullah Badawi announced selective discontinuation of the Bumiputera Policy capital share restrictions in the 6 service sectors (creative industry, education service, financial consultation, consulting, medical, distribution and tourism related services) in order to promote direct investment in the Iskandar Development Region (IDR), Johor Baru. - On 22 April 2009, Najib Tun Razak, Prime Minister and concurrently Minister of Finance released the liberalisation programme of the service industry that authorises 100% foreign capital participation in computer related service, social/health service, tourism, private cargo road transport, business service, etc. in total of 27 business sectors. It instantly repealed the regulations requiring minimum 30% Bumiputera capital contribution. - On 30 June 2009, Najib Tun Razak, Prime Minister and concurrently Minister of Finance: (1) Repealed instantly "FIC's Guideline On The Acquisition Of Interests, Mergers And Take-Overs By Local And Foreign Interests", (2) Repealed Foreign Capital Restrictions concerning capital construction for listed enterprises set forth by FIC (namely, minimum 30% Bumiputera capital contribution requirement) (3) Exempted FIC's approval on property transactions of less than 20 million Malaysian ringgit. (4) Deregulated foreign capital participation for example by raising foreign capital contribution rate from 49% to 70%, investment trust companies and securities exchange companies.		

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				- On 6 January 2010, GOM repealed the capital contribution restriction in distribution service sector, enabling 100% foreign capital investment, provided, however, that, GOM prohibits foreign investment in the 11 business sectors, including supermarket/mini-market, convenience stores, etc. while it continues to apply the 30% Bumiputera capital contribution rule on hypermarket. In 2009, foreign direct investment into distribution service sector climbed to 56.1%, marking the highest sector for foreign investment liberalisation. Foreign investment has been especially active into OHQ, IPC, RDC, etc. that enjoy tax preferential measures, followed by multimedia-Super-Corridor of 29% and Manufacturer Related Support Service of 29%. - Deregulation on foreign investment has gradually spread in wider business sectors. The 30% cap on the foreign capital participation in electric power industries has been gradually deregulated on a project-by-project basis.		
		(2)	Non-Manufacturing Business Sectors Closed to Foreign Capital Participation	**- Ministry of Domestic Trade, Co-operatives & Consumerism (MDTCC) issued on 12 May 2010, "Guidelines on Foreign Participation in the Distributive Trade Services" (MDTCC Guidelines) that reflects GOM's deregulation policy on foreign capital contribution. The scope of non-manufacturing enterprises covered under MDTCC Guidelines is broad, including distribution and services, dispensing with the 30% Bumiputera capital requirement, excluding hypermarket/superstore, permitting 100% foreign capital contribution. The following sectors remain prohibited to foreign capitals: -- Supermarket/mini market (of less than 3,000 sq.m in sales floor space) -- Food store/general sales ship -- Newspaper vending stores, sundry goods stores -- Pharmaceuticals shops (handling traditional herbs and Chinese medicines) -- Petrol station -- Wet market and sidewalk (pavement) shop -- Projects related to national strategic interest -- Fabric shop, restaurant (not high class), bistro, jewellery dealer, etc.**	**- It is requested that GOM: -- authorises 100% foreign capital in enterprises in non-manufacturing sector, -- repeals the Guideline requiring local capital participation in enterprises in non-manufacturing sector, and -- deregulates the Guideline further.**	- Guidelines on Foreign participation in The Distributive Trade Services Malaysia
		(3)	Exclusion of Tobacco from ISDS provision in Investment Chapter of TPP	- Malaysia and the U.S. proposed exclusion of specified industries (tobacco industry) from the ISDS (Investor-State Dispute Settlement) provision in investment chapter of TPP agreement (reported information). Such exclusionary treatment afforded to a specific product (tobacco) under TPP agreement will likely materially damage international trade and investment promotion intended under TPP. Its impact is broad and substantial, discouraging economic activities of individuals and groups or their investors in the TPP signatory countries. Its impact is broad and substantial.	-It is requested that GOJ will take the full account of the issues in the left column and takes step to prevent exclusionary treatment afforded to the specified products under TPP agreement.	

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6	Reduction and Elimination of Preferential Policies for Foreign Capital	(1)	Unstable Continuation of IDE on Steel	- **Import duty is 25% on major steel items. Every year, a member firm's subsidiary (MFS) of JBCTIF must file application to Malaysian Investment Development Authority (MIDA) for Import Duty Exemption (IDE), decision of which is without guarantee, being left to the sole discretion of the competent authority. There is, however, no assurance that IDE is granted on each application. Should IDE be lifted from the steel import, acquisition of No-Objection Letter (NOL) from the local steel manufacturer becomes de-facto impossible. If discontinued, it will mean a great blow to the manufacturers locally manufacturing products from steel imported from Japan.In December 2014, GOM announced preliminary determination to impose the safeguard tariff (SGT) of 23.95%. (It possible that acquisition of NOL becomes no longer valid for obtaining the SGT exemption). MFS is requesting exclusion from imposition of the safeguard measures.**	- It is requested that GOM repeals the import duty of 25% on steel products, which are imported as materials for further manufacturing and processing.	- Customs Act
		(2)	Further Repletion of Benefits on R&D	- A member firm's subsidiary (MFS) has developed R&D operation in an existing manufacturing company. Nevertheless, GOM requires submission of a vast amount of materials on MFS's request for grant of double tax amount deduction. In the end MFS had to abandon its application.	- It is requested that GOM considers grant of incentives, which are both substantial and easy to obtain for R&D operation developed inside the existing manufacturing company.	
9	Restrictive Export/Import Trade, Duty, and Customs Clearance	(1)	Raise of Import Duty	- On 15 March 2002, GOM raised tariff on hot-rolled steel, cold-rolled steel, galvanised sheet iron, and welded steel tube to protect the domestic industry. - On 1 August 2009, MITI released the review of its steel industry policy under which GOM will reduce in stages or exempt import duty on steel products: (1) Reduction of import duty on steel bar to 10% by 1 August 2009, and 5% by 1 January 2010, (2) Reduction of import duty on steel sheet to 25% by 1 August 2009 and 0-10% by 1 January 2018, (3) Exemption of import tariffs in so far as they are used as raw materials for final export products, or if they are not locally manufactured or used as raw materials for final products on which zero duty is imposed.		
				(Improvement) - On 19 August 2009, MITI released the new steel industry policy (NSIP). NSIP due for enforcement from 1 August 2009 incorporates, among others, staged reduction in import tariffs on steel products, shift to manufacturing licence with less requirements, simplified implementing procedure for the compulsory standard, avoidance of delays at the point of import customs clearance of customs clearance procedure, and the method to avoid additional surcharge.		

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		(2)	Repealed Application Sector Utility-Based Import Duty Exemption Quota	- By the steel industrial policy review of 1 August 2009, GOM repealed import quota scheme and sector utility-based import duty exemption quota. Since then GOM has been granting import duty exemption only on products not capable of domestic production. - On 19 October 2011, Ministry of International Trade and Industry (MITI) proposed reduction of import tariff on steel products (25% => 15%) and repeal of tax exemption under the MIDA scheme to Malaysian iron and steel industry federation (MISIF). MISIF expressed its opposition to the proposal. On 9 December 2011, Japanese Chamber of Trade & Industry, Malaysia (JACTIM) likewise desptached its written opposition opinion to MITI, stating that MITI's repeal of tax exemption scheme is directly inductive to the debilitated competitive edge of the Malaysian industries. On 22 January 2013, MITI announced repeal of tax exemption on hot-rolled steel plates corresponding to the 18-industrial standards, beginning 1 February 2013.	- It is requested that GOM resumes Import Duty Exemption Scheme. - It is requested that GOM: -- irons out the procedures, -- resumes tax exemption system, and -- elucidates the basis of tax exemption.	
		(3)	Nebulous Judgement Basis of Import Duty Exemption	- The nebulous judgement basis on "domestic manufacture feasibility" of Malaysian Investment Development Authority (MIDA) serves as barrier/ blockade for stable products supply. More precisely, reduction in quantity applied, postponement for issuance of duty exemption, approval or non-approval varies by importer, etc. In addition, no consideration is paid to the local manufacturers' supply capacity, users' evaluation, comment, etc.	- It is requested that GOM makes more transparent the Duty Exemption Scheme.	
				(Actions) - In May 2014 GOM implemented "2013 Import Duty Exemption Order" and "Sales Tax Exemption Order", streamlining the tax exemption procedures on machinery, equipment, spare parts, consumable supplies, engines and motors, and container trailers. Enterprises subject to these orders are manufacturers, plus those in hotel and transport businesses.		
		(4)	Vexatiously Complex and Delayed Import Duty Exemption Procedures	- Since inaugurating the local steel mill in Malaysia in December 2006, it has taken a long time for an MFS to obtain the quota on import duty exemption for electrogalvanised (EG) steel sheet. The ambiguity of the term, "capable of domestic production", which forms the basis for determining tax exemption, serves as barriers and hindrances against the stable product supply. More precisely, GOM granted tax exemption by reduction in quantity in one case, and in another case GOM took time before determining its approval, and in third case, yes or no was determined individually by each importer. GOM's decisions reflect neither the supply capacity nor users' the evaluation/opinions.	- It is requested that GOI: -- smoothen the procedures,. -- reopens the tax exemption scheme, and -- makes transparent the basis of tax exemption.	

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				(Actions) - The customs clearance time differs by each custom. In the majority of cases, as of 2004, it averaged 1-3 days generally for customs clearance. However, a considerable reduction has been achieved at Kuala Lumpur International Airport (KLIA) and Johor Causeway & Second Link (for cargoes transported from Singapore overland), averaging 1-12 hours. - Effective 1 June 2004, GOM implements Customs Golden Clients Pilot Program (CGC) on designated enterprises, to expedite customs clearance procedure. Under the program, the Customs and the designated enterprises are connected online, and the designated enterprises are authorized to deliver and store imported goods in their own premises without submitting import declaration to the Customs and are given two weeks to complete the customs clearance formalities. - At the 2nd Subcommittee Meeting on Business Environment of Japan-Malaysia EPA, GOJ requested GOM to improve the import procedure for electrically galvanized steel sheet on which quota for tax exemption is becoming difficult to procure, as the local steel mill for electrically galvanized steel sheet began its operation at its new plant. GOM responded that it would provide for a forum to hold continued discussion with GOJ on the tax exempted quota issue. - On 1 January 2009, MITI announced implementation of "Electronic Preferential Certificate of Origin (e-PCO)". This e-PCO is addressed to the online filing of application for cost analysis (AC) and Preferential Certificate of Origin (CO). This e-PCO will be first implemented on CA and CO forms submitted to MITI Kuala Lumpur. Implementation details of e-PCO on other states will be later announced.		
		(5)	Nebulous Tax Exemption Scheme under Japan-Malaysia EPA	- Unlike MIDA's tax exemption scheme (TES), the tax exemption scheme under Note 13 of Japan-Malaysia EPA of 13 July 2006 grants tax exemption on raw materials destined to the 8-users such as car industries, home electric appliance industries, etc. based on the users' opinion (in terms of specifications, grade, and volume). However, in the absence of the detailed implementing rules for TES, member firms are unable to benefit from the TES. It is reported that TES is due for incorporation into Amended Tariff Decree by the end of 2012. However, it appears there has been a delay in preparing the Amended Tariff Decree.	- It is requested that GOJ and GOM overhaul as soon as possible detailed implementing rules for TES under Japan-Malaysia EPA.	
		(6)	Dilly-dallied Malaysia-EU FTA Negotiation	- Customs duty burdens upon the Malaysian export industries due to exclusion of Malaysia from the beneficiary countries under EU's GSP.	- It is requested that GOM ratifies Malaysia-EU FTA as soon as possible.	
		(7)	Disappearance of Generalised System of Preferences (GSP)	- EU discontinued its GSP on audio products from Malaysia (beginning 1 January 2013). Member firm is concerned about the debilitated competitive edge of the Malaysian products destined to EU, compared to products shipped from PRC and Vietnam manufacturing depots.	- It is requested that GOM ratifies Malaysia-EU FTA as soon as possible.	
		(8)	Import Licence (I/L) Scheme	- On 25 November 1982, GOM implemented the import license (I/L) system on wire rod (common steel), and bar steel/wire rod (alloy steel). - On 15 August 1985, GOM implemented the import license (I/L) system on billet and coil for re-rolling.	- It is requested that GOM repeals the I/L system.	

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				- On 2 April 1999, GOM implemented the import license (I/L) system on hot and cold-rolled steel. GOM requires the Local Mill's "approved permission" for steel production-hot-rolled steel to grasp the local mill operation, and cold-rolled steel, the market trend. - Since 15 June 2012, HS7225 flat-rolled products of other alloy steel wide width have become the target goods requiring I/L. - On 1 March 2013, Customs Order 2012 exempted the above-mentioned products (flat-rolled products of other alloy steel wide width (HS7225)) from the target goods requiring I/L.		
				(Actions) - On 5 July 2005, former Prime Minister Mahathir recommended strict implementation of the AP system, by pointing out the illicit declaration of the number of AP's issued and the import price, as regards issuance of I/L on automotive vehicles. NAP announced in October 2005 incorporates a provision that prohibits issuance of AP to new brands. - In March 2002, the Malaysian government introduced a measure to protect its own steel industry by increasing tariff rates, etc. in retaliation against the U.S. policy to protect its steel industry. However, auto vehicles, electric and electronic products, FZ, LMW, and CEPT rates are excluded from the scope of this measure. Antidumping proceeding against import of steel products and invocation of safeguard measures on steel products are also being considered. - In November 2008, GOM repealed I/L (AP) over 54 items of steel products and repeals tariffs on 57 items of steel products. - Since November 2008, GOM has compelled compliance inspection under the Malaysian Standards (MS Standards) on 57 items of imported steel products, requiring submission of Certificate of Approval (COA) upon customs clearance, the same as the domestic enterprises. - On 13 June 2012, MITI announced the compulsory acquisition of licence on import of 8-items of Steel Alloy (HS7225) for the purpose of curtailing the increasing import of sub-standard products and of securing the safety in quality. This requirement entered into force on 15 June 2012. (Customs Order No.2/2012 (amended) Import Embargo) - On 22 January 2013, Ministry of International Trade and Industry (MITI) announced: MITI will repeal the Duty Free Import Measures restrictively only to the imported goods destined to the domestic sales and consumption on the 18-items of Hot Rolled Steel Sheet, which have become domestically procurable. - On 25 June 2014, Ministry of Finance, Malaysia expanded the scope of the target goods subject to import restrictions: by addition of 3-items under steel and steel products (HS72 and 73), namely, angles, shapes & sections (HS 7222.40), structures and parts of structures (HS 7308), and roof/cladding/ceiling panel or ceiling strips, et al (HS 7326.90.500) -- Customs Prohibition of Imports Order (P.U.(A) 172) [in Malay and English] (http://www.federalgazette.agc.gov.my/outputp/pua_20140625_PUA%20172-Perintah%20Kastam%20(Larangan%20Mengenai%20Import)%20(Pindaan)%20(No%202)%202014-%20pinda%202.pdf) **(Improvement)** - In May 2000, the product list requiring import license has been amended to eliminate the requirement for import license from Electric Power Supply Bureau on certain items classified under Chapter 85 of the harmonized schedule code. - In January 2008, MITI repealed "Approved Permit" on imports of 26items of construction machinery.		

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				- In May 2008, MITI repealed "Approved Permit" and import tariff on imports of bar steel (HS7214.10.110, HS7214.20.910) and billets (HS7207.11.900, HS7207.12.900, HS7207.19.900, HS7207.20.900, and HS7207.20.990). MITI also completely repealed the maximum price on steel. - In June 2008, MITI repealed "Approved Permit" on imports of 13 items of recording and playback device, sound and other recording media such as discs and tapes. - Effective 1 August 2009, MITI: (1) no longer requires import licence for steel plate, while it continues to require steel import licence (CAP) for the purpose of monitoring and data collection, (2) has repealed the import control based on the procurement rate of local materials and import materials concerning the import of hot-rolled, cold-rolled, and electric galvanised (EG) steel plate. - On 1 March 2013, Customs Order 2012 exempted the above-mentioned products (flat-rolled products of other alloy steel wide width (HS7225)) from the target goods requiring I/L.		
		(9)	Safeguard Measures	- On 1 May 2011, upon request of Megasteel Sdn Bhd, MITI initiated investigation on safeguard measures based on the alleged causal relationship between the rapid increase of hot-rolled steel plate import and the material injury to the domestic industries. On 22 August 2011, MITI terminated the safeguard measures investigation with negative finding. MITI found such import did not threaten the domestic industry, although the import volume increased by 35% during January to September 2010.		
				(Actions) - On 16 August 2012, the Malaysian Safeguards (Amendment) Act 2012 entered into force. Under Article 40A, newly provided, the Amended Act empowers Government of Malaysia (GOM) to conduct the safeguard investigation and to impose Safeguard Measures against a specified country(ies) pursuant to the agreed terms under the trade agreement. Furthermore, by amended Article 28 of the same Act, GOM is empowered to apply the affirmative measures by imposing safeguard tax and quantitative restrictions against all imported products. (http://www.federalgazette.agc.gov.my/outputaktap/20120816_1439_BI_A1439%20BI.pdf) - In August 2014, Ministry of International Trade and Industry, in response to the Safeguard Petition from Ji Kang Dimensi Sdn Bhd, domestic steel manufacturer, initiated safeguard investigation on steel and thick plate products. **(Improvement)** - On 22 August 2011, MITI terminated investigation with the negative injury finding (holding that while import increased by 35% during January through September 2010, such import did not amount to the threat to the domestic industries.) - On 8 January 2016, Malaysian international trade and industry made negative preliminary decision in the safeguard investigation on hot-rolled coil. (This investigation was terminated.)		

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12	Exchange Controls	(1)	Rapid Exchange Rate Fluctuations	- A member firm in direct trade with its local subsidiary in Malaysia (MFS) gains some exchange profit from lower yen that enables MFS's resale at special price level. Nevertheless, the bulk of MFS sales are made with thin profit so that should the transactions continue at higher yen, MFS will easily turn into deficits.	- It is requested that GOM endeavours to keep the exchange rate fluctuations within a few percents in 6-months.	
14	Taxation Systems	(1)	**Introduction of Goods and Services Tax**	- Beginning 1 April 2015, GOM introduces Goods and Services Tax corresponding to VAT at 6% tax rate. GOM intends to work with GST on a full-fledged basis in order to reduce the budgetary deficits and expand the tax base. (Goods and services taxes have been repealed and replaced by GST). - With the introduction of Goods and Service Tax (GST), MFS filed application for Approved Trader Scheme (ATS), and made other enquires to Royal Malaysian Customs (RMC), however, without receiving any response from RMC to date. MFS remains unable to take any requisite preparation. - There remains a possibility for the GST levy in a transaction where movements of goods are made within Malaysia, while invoice goes through Singapore. It is unclear, if exemption rule exists to cope with such a situation. - Corporate income tax will be reduced along with introduction of GST due in April 2015.	- It is requested that RMC returns prompt response to MFS's application. - It is requested that GOJ negotiate with GOM, should there be no exemption rule. - It is requested that GOM expands the depth of reduction in corporate income tax with the introduction of GST.	- GST Act
				(Actions) - On 16 December 2009, MOF submitted the Bill for Goods and Services Tax (GST), equivalent of value added tax, to the first reading of the House of Representative (Dewan Rakyat), This is the second attempt of GOM after the aborted Bill of 2006 to submit the Bill for introduction of GST. The new Bill proposes GST rate of 4%, excluding the basic essential goods (agricultural produce, basic foods, etc.) to alleviate the tax burden upon the people in the low-income brackets. GST taxation system will replace the on-going sales and service tax (SST). Current SST rates comprises of 10% of sales tax, and 5% of service tax. The second and third readings of GST are due in March 2010. GOM envisages it takes 18-months for all concerned to complete the preparation, targeting full implementation of the new GST in the middle of 2011. - At the hearing for formulating the 2014 proposed national budget, Japanese Chamber of Trade & Industry, Malaysia (JACTIM) requested reduction in corporate income tax, all the more so, if the goods and services tax (GST), now under GOM's review, is to come into effect. Secondly, upgrading and expanding of investment incentive measures. Request was made for GOM to grant investment incentive measures to Japanese affiliated enterprises that frequently make reinvestment into existing operations for R&D, etc. in the recent years, instead of establishing a new corporation. - By 2014 Budget, GOM publicly disclosed the GST levy at 6% tax rate, beginning 1 April 2015.		

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				- Ministry of Finance promulgated excise duties [Exemption] (Amendment) Order 2014, (P.U. (A) 225/2014), expressly excluding imported cars procured by the Federal / State Governments. Regulation P.U. (A) 225/2014 [in Malay and English] (http://www.federalgazette.agc.gov.my/outputp/pua_20140806_P.U.%20(A)%20225-perintah%20duti%20eksais%20(pengecualian)%20(pindaan)%202014.pdf) - In April 2014, Customs Department moved up by large margin the implementation of goods and service tax online registration system from the initial target of January 2016 to 1 June 2015.		
		(2)	Nebulous Implementing Regulation of Tax Laws	- While increasing numbers of foreign funded enterprises face expiry dates for the pioneer status (PS), investment tax allowance (ITA) and reinvestment allowance (RA), cases of denials are reported in the taxation investigations involving transfer price taxation system, ITA, RA, etc., all decided upon the sole discretion of investigators without clear substantive rules given in writing by public notification, etc.	- It is requested that GOM arrange opportunities for exchange of dialogues for clarification of the taxation rules between Inland Revenue Board of Malaysia and FFEs.	- General Tax Laws
				(Actions) - On 22 August 2014, Parliament of Malaysia enacted "Promotion of Investments (Amendment) Act 2014". Under the Amendment, request for determining the period for tax deductions on investment must be filed within twenty-four months from the date of the Finance Minister's approval or its extension date. -- Promotion of Investments (Amendment) Act 2014 [in English] (http://www.federalgazette.agc.gov.my/outputaktap/20140822_1468_BI_WJW002917%20BI.pdf)		
		(3)	Nebulous Transfer Price Taxation System Investigation	- Calculation basis of additional tax from TPTS investigation is unilateral, and the resulting amount is extremely substantial.		
		(4)	Levy of Withholding Tax in Violation of Japan-Malaysia Tax Treaty	- Japan-Malaysia Tax Treaty (JMTT) provides: "The profits of an enterprise of a Contracting State shall be taxable only in that Contracting State unless the enterprise carries on business in the other Contracting State through a Permanent Establishment situated therein." However, there remains a possibility that GOM levies withholding tax upon the service a member firm's subsidiary (MFS) receives from member firm (its Japan head office).	- It is requested that GOM: -- honours its undertaking with GOJ under JMTT by giving its precedence over the Malaysian domestic laws including Corporate Income Tax Law, and -- promulgates in the form of decree or otherwise that no Malaysian withholding tax payment obligation accrues upon the services rendered by an enterprise without a permanent establishment situated in Malaysia.	- Japan-Malaysia Tax Treaty, Article 7 - Malaysian Income Tax Act Article 109(B)

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		(5)	Nebulous Application Procedures for Petroleum (Income Tax) Act and Goods and Services Tax	- While GOM promulgated new incentives on petroleum (Income Tax), the subject goods and the application method remain nebulous. Through an industrial body, request has been filed to the Taxation Authority to provide a clear-cut data and information. It has been decided to introduce from 2015, consumption tax, in lieu of the going goods and services tax. Taxation Authority has issued a guideline on consumer tax for the oil and gas upstream industries. However, the procedures for filing tax return include many ambiguous points.		- Petroleum (Income Tax) Act and Goods and Services Tax
		(6)	The Risk of Double Taxation under TPTS	- Especially under the Transfer Price Taxation System (TPTS), a member firm faces the risk of double taxation as a group, as the rules on TPTS vary to and fro by countries.	- It is requested that GOM/GOJ work toward overhauls of the world standard TPTS Guidelines and the relative legislation.	
		(7)	Payment Work made Complex from Introduction of GST at different Tax Rates	- Decision was made to introduce Goods and Service Tax (GST at 6% Tax Rate) from April 2015, Malaysia, Myanmar and Brunei alone being left without introduction of GST in the ASEAN Signatories. While no material impact is envisaged on MFS's P/L, payment work will be made complex due to differences in tax rates by commodity.	- It is requested that GOM set GST tax rate not as cumbersome as possible for considering MFN's operation work such as tax payment.	- Home Page of Royal Malaysian Customs Department: http://gst.customs.gov.my/en/Pages/default.aspx
15	Price Controls	(1)	Abrupt Hike in Electricity Bill by Large Margin	- Hike in electric power charge. - GOM raised electricity charge by 15% (excepting Sarawak State) from 1 January 2014, after two and half a year break since June 2011. Average 16.85% raise applies in Peninsula Malaysia for both commercial and industrial use. The hike has been prompted by reduction of subsidy to power generating operations. Minister Johnity Ongkili, KeTTHA estimates reduction of subsidy in the amount of RM4 Billion (about 128 billion Yen) per annum by this hike in electricity charge.	- It is requested that GOM abolishes restrictions on entry into power supply industries. - Relative to tax incentive on investment into energy saving, eco-tax (reduction) was terminated in November 2013. In the face of power charge hike, it is requested that GOM takes steps to consider provision of incentive that facilitates each factory's investment into energy saving.	- Electricity Supply Act - Notification promulgated by Ministry of Energy, Green Technology and Water

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		(2)	**Price Hike of Gasoline**	- In October 2014, the rapid hike in general petroleum price for motor vehicles from MYR2.1 to 2.3 has pushed up the pressure of cost increase. In addition, GOM released "Malaysia's fuel subsidy reform (Draft) by Income", which indicates further cost increase, without, however, clear policy announcement (the scope of application, timing, etc.) and has been postponed indefinitely. => It has given rise to much confusion.	- It is requested that GOM clarifies the application standard and timing on application of subsidy.	
				(Actions) - In order to reduce budgetary deficits, GOM raised prices on both unleaded and diesel fuel on 3 September 2013, while reducing subsidies by 20 sen per litre on RON95 (octane rating 95) and diesel. In addition, Ministry of Finance, on 8 January 2014, raised by 5 sen RON97 (octane rating 97) to RM2.80, while holding down RON95 price to RM2.1 per litre by grant of subsidy.		
		(3)	Change of Petrol/Diesel Prices into Internationally Linked Scheme	- Beginning 1 December 2014, GOM has changed the retail price linked to the international prices for regular petrol "RON95" and diesel fuel. This change has terminated the government's fuel subsidy scheme. The benefit to consumers will be substantial, should the low level on crude oil price continues, it is expected that fall on petrol prices can be expected.		
16	Employment	(1)	Wage Hike by Large Margin caused by Introduction of the Minimum Wage System	- Under National Wages Consultative Council Act, "the Minimum Wage Order" is due for enforcement from 1 January 2013. The minimum wages are RM900 in the Peninsula Region, RM800 Sabah, Sarawak States and Federal Territory of Labuan. Impacted by this Order, enterprises drag their feet about new employment. - The hike in minimum wage (especially on Foreign Workers): MR600 => MR900.	- It is requested that GOM controls wage increase as GOM's action can debilitate the international competitive edge of the Malaysian industries.	- Minimum Wage Law (enforced on 1 January 2013)
				- The introduction of minimum wage scheme (MWS) since January 2014 has resulted in labour cost increase mainly for workers in the production site. It is said review of MWS takes place in every two years. Future increase in labour cost is a matter of serious concern.	- It is requested that GOM holds down and avoids the rapid radical labour cost increase.	
				- It looks like the minimum wage shortly established will be quite substantial in amount (700-1,200KRM/Month). The problem of minimum wage is the nebulous definition of the basic salary. Depending on the definition of the term, it could mean the wage hike of 30-40% and bears heavily upon business operation. In the industrial world, review takes	- It is requested that GOM: -- establishes minimum wage not across the board statewide/lines of work, but individually by regions/lines of work,	

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				place now on various allowances that can be framed into the minimum wage, and the possibility of requesting postponement of implementation. --> Across all Malaysia about 400 enterprises (of which 40 are Japanese affiliates) obtained the postponement permission. On the other hand, GOM is considering making workers responsible for surcharge, etc. for which employers have been responsible, to account for the increased burden upon employers. => January 2013 Update: Since January 2013, minimum wages (amendment) order 2013 has been in force. Minimum wages are: Peninsula: RM900, Sabah/Sarawak: RM800. Incorporation of various allowances into the minimum wage, as to application for postponement of implementation, responsive action has been taken in coloration with regional headquarters enterprises. In addition, minimum wage legislation applies also to foreign workers, heavily burdening enterprises that have foreign workers on the payroll. GOM, in response to the enterprises' request, debates over whether to hold foreign workers responsible for levy payment (foreign workers' employers' defrayment). There remain risks for sabotage, etc., should the workers be held responsible for the levi payment. --> June 2013 Update: It has been decided to hold foreign workers responsible for levi payment.	-- foregoes establishing minimum wage or establishes fitting the actual state of affairs.	
				- While revision of minimum wage is under plan, further wage increase is a matter of huge concern to business operation of private enterprises, for loss of international competitive edge (, as well as increment of enterprises retreating from Malaysia.)	- It is requested that GOM: -- takes a good grasp of the status of life of workers in low-income bracket, and -- takes a careful step over the debated issue.	
				(Actions) - On 6 July 2009, Dr. S. Subramaniam, Human Resources Minister made it clear that he was contemplating introduction of the minimum wage system in 4-sectors, textiles, electronics, hospitality service, and security guard. - On 16 July 2012, The Minimum Wage Order 2012 was gazetted. This Order comes into operation on 1 January 2013 in relation to an employer who employs more than five employees on more, and an employer who carries out a professional activity classified under the Malaysia Standard Classification of Occupations (MASCO). The minimum wages are RM900 (RM4.33 per hour) in Peninsular Malaysia and RM800 (RM3.85 per hour) in Sabah/ Sarawak and the Federal Territory of Labuan. (Governing Law: The National Wages Consultative Council Act 2011 [Act 732]) (http://www.federalgazette.agc.gov.my/outputp/pua_20120716_P%20U%20%28A%29%20214-%20Perintah%20gaji%20minimum.pdf). - Since 1 January 2014, Minimum Wages Order 2012 has been implemented in full.		

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				- On 23 October 2015, Malaysian legal minimum wage revision was announced for the first time: Malay Peninsula from the current MR900 to MR1,000 (about USD235), in east Malaysia from MR800 TO MR920 (about USD216). - On 2nd May 2016, Ministry of Human Resources announced the minimum wage hike from the current MR900 to MR1000. the wage hike rate in Malaysian Peninsula comes to 11.1%.		
		(2)	**The Restricted Number and Job Positions of Expatriates**	- In the upstream petroleum industries, GOM severely controls the number of expatriates and their positions. Therefore, it might be necessary for MFSs to deploy local staffs for positions beyond the level of their technical skills and competency.	- It is requested that state owned company Petronas: -- understands the problems described in the left column, and -- deregulates the restrictions.	- The Model Production Sharing Contract (PSC)
		(3)	Delayed Issuance Procedures of Expatriates' Work Permit	- Immigration Department of Malaysia (IDM) has introduced the statewide new system on issuance of work permit. To this date since its introduction, due to the frequent system troubles one after another, work permit issuance has delayed frequently. Expatriates without work permit are treated just the same as tourists, being unable to open bank account, etc., severely affecting expatriates' effort to settle down in the new environment.	- It is requested that IDM improves the system operation to allow a reasonably speedy issuance of work permit (particularly at the Peninsula side of the immigration bureau).	
		(4)	Intensified Foreign Workers' Employment Control, delaying Licence Issuance Procedures	- GOM has tightened foreign workers employment control and employment of foreign workers has become more and more difficult. On the other hand, employees' retention rate remains low, even after introduction of minimum wage control, a set of affairs continue, whereby employers have no alternative but to rely upon foreign workers for the sake of ensuring stable business operation. Fostering of Malaysian human resources to secure workforce and deregulated foreign workers employment rules are both necessary. - GOM continues to exercise its control on foreign (direct) workers' employment, and so does difficulty continue to employ foreign workers and to obtain the corresponding permits. GOM also continues its efforts to attract entry of FFEs into Malaysia with the likely further aggravation of workforce shortage. Deregulation of foreign workers' control is necessary. -- In June 2011, GOM announced amnesty programme that legalises illegal foreign workers staying in Malaysia, said to be a little short of 2-million people. -- Foreign workers' new employment was frozen during "the legalisation procedures period" (which delayed, by large margin, from the original 15 September 2011 to 10 April 2012, the date finally determined.) The workforce shortage surfaced, mainly in manufacturing and construction	- It is requested that GOM: -- fosters Malaysian human resources to secure workforce, and -- deregulates foreign workers employment rules. - It is requested that GOM: -- clarifies the standard and simplifies the application/approval procedures, -- in particular, improves government employees' response.	

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				sectors, due to the freeze on new employment. --On 10 April 2012, along with the cut off of the legalization programme, the freeze was removed.on the new employment -> In April 2012, while the freeze on new employment was removed, there continued numerous cases, where it took a long time for approval of new foreign workers, or approval was unobtainable for the sufficient number of new employees. =>Renewal in June 2013: While problems were more or less resolved in urban areas on employment of foreign workers, in local areas, it continues to take a long time for foreign workers licence acquisition, or otherwise the numbers approved were less than the numbers requested. =>In January 2014: PMAM, PMMA (local powerful employment agencies) reported completion of improvement, while PASMY, PSNM reported improvements, they expressed their wish for continuation of smooth procedures.		
				(Actions) - On 11 March 2016, by cabinet decision, new employment of foreign workers except for maids was suspended and enforced.		
		(5)	Extension of the Retiring Age	- "Minimum Retirement Age Act 2012", providing that "the Minimum Retirement Age of an employee shall be upon the employee attaining the age of sixty-years" in private enterprises, is due for enforcement from 1 July 2013. While GOM's intention is to improve employers' treatment of their workers, some voices the need for considering the impact upon the business management in its implementation at the time of the severest world economy. Moreover, others are afraid that the moratorium period is too short, so that it will dilute the competitive edge of the domestic industries.		- Labour Act
		(6)	Insufficiency of the Period for Transfer of Duties for Employees in Private Sectors	- In the case where an employee in a private sector gets transferred to government institutions, various inconveniences result from the excessively short period allowed for transfer of duties. (Order received upon adoption decision required the applicant's showing up at office from next week).	- It is requested that government institutions: -- make it compulsory to allow minimum one-month from the adoption decision when accepting transferred staff from private enterprises, and -- make it possible for the private enterprises to arrange for successors and transfer of duties.	

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17	Implementation of Intellectual Property Rights ("IPRs")	(1)	Shortage of the Period for Request of Modified Substantive Examination	- The deadline for request of Modified Substantive Examination Scheme (MSES) is 4-years in principle from the filing date of patent application (FDPA), extendable up to 5-years from FDPA by requesting extension. Therefore, in most cases, it requires filing of request for extension of the application period, in order to allow for the period up to the point of registration in the U.S., Japan, etc.	- It is requested that GOM amends the Act so that the deadline of filing request for examination under MSES is 5-years (or more) from FDPA.	- Patent Regulation, Articles 27(1), 27A(1) & 27B(2)
		(2)	Absence of Board of Patent Appeals and Interferences (BPAI) at Intellectual Property Corporation of Malaysia (PHIM)	- Intellectual Property Corporation of Malaysia (PHIM, or later called MyIPO) has no scheme for seeking judgement on invalidation of patent. Board of Patent Appeals and Interferences (BPAI). To seek patent invalidation, the claimant must bring the case to the court naming the patent holder as defendant.	- It is requested that MyIPO establishes the scheme for patent invalidity examination.	- Patent Act, Article 56
		(3)	Insufficient Application Points for Divisional Patent Application	- As regards Division of Patent Application (DPA), it is prescribed that DPA may be filed within 3-months of the mailing date of the examiner's report on violation of unity of invention, or at claimant's own initiative. Therefore, it is impossible to divide the patent at the time of refusal examination or patent examination. It cuts down the opportunity for the applicant's acquisition of the patent in the particular claims as desired by the applicant.	- It is requested that MyIPO takes steps to amend the Act so that DPA may be filed upon the examiner's negative determination of the examination.	- Malaysia Patents Act Article 30(1)(2)(3)(5) - Patents Regulations Article 19A
		(4)	Fuzzy Legislative Provisions on Obligation to File Applications in the First Country	- In emerging countries where growing needs for local development prevail, numerous countries continue to retain the legislative provisions on "obligation to file applications in the first country (OFAFC)", however, without a clear-cut definition. It makes it difficult to protect IPRs effectively. Today when the R&D activities encompassing multiple countries are indispensable, the risk of infringement under OFAFC in plural countries is a matter of concern.	- It is requested that MyIPO takes steps to: -- deregulates or repeals OFAFC or provides its clear-cut legislative provisions, or -- promotes deregulation for application of OFAFC requirements upon cross border R&D activity by agreements among plural countries, etc.	
19	Industrial Standards, Approval of Safety Standards	(1)	Complex and Delayed Evaluation Procedures for Compatibility Certification	- On 13 October 2009, the COA requirement was resumed with the reduction in the subject products from 627 to 187-items, exempting LMW and FIZ of less than 500 kgs from the COA acquisition requirement. Also exempted are special steel products destined to manufacturers and service centers of 5-industries (car, electric/electronic appliances, aeronautics/space, oil/gas, shipping/ship building.) In addition, by filing	- It is requested that GOM: -- repeals COA-R scheme, if not -- clarifies the procedures (including the exemption system), and -- simplifies the procedures.	- CIDB Certificate of Approval Requirement - Custom Order 2012 (on Prohibition of Imports)

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				application, individual products could be exempted case by case at the SIRIM's discretion. As it stands, excluding the exempted items mentioned above, under the going COA inspection, sampling is necessary per shipment, per size for inspection, regardless of if the products are from the same factory, using the same steel materials and specifications. Because of this requirement exporters must cope with excessive inspection cost and clerical workload. Moreover, SIRIM's COA duplicates the MIL inspection items in many respects. Rather than serving for elimination of poor quality materials, it causes delay in import and complexity in procedural issues. The parties in concern look forward to its early abolition and simplification.		
				(Actions) - Since 15 November 2008, Certificate issued by SIRIM Berhad (Malaysia Standard Industrial Research) has been made a requisite requirement. Inspection of officer takes place at bonded warehouse or customs warehouse, and the landed cargoes must be moved in and out of the warehouse at cost, including the demurrage that arises if the goods are held in the warehouse for more than 3-days. Inspection fees and certificate issuance fees are also incurred. - On 1 August 2009, the scope of products subject to MCI has been expanded to 627 items, including steel sheet. Import procedure has been made complex, while additional costs are incurred, affecting distribution. - On 13 August 2009, SIRIM had to suspend temporarily its COA Inspection due to the clutter of imports (which lasted until 12 October 2009). - On 13 October 2009, GOM resurrected the certificate of approval requirement (COA-R) by reducing the items of iron and steel products (ISPs) subject to the COA-R from 627 items to 187 items, while exempting COA-R on LMW, FIZ and steel plate of less than 500 kgs. Furthermore, GOM has exempted COA-R as regards Manufacturers and the Steel Service Centre for the ISPs destined to the 5-Industrial Sectors (Car, Electric and electronics, aerospace, Oil/gas, Shipping and Ship building). In addition, SIRIUM may at its discretion grant exemption from COA-R based upon individual application. As it now stands, SIRIM compels the COA Inspection on each shipment, requiring sampling for each size of the products, even if the products are manufactured in the same plant, of the same steel type and the same specifications, with the exception of the exempted items mentioned above, Manufacturers must absorb the costs for exorbitant inspection fees, and the heavy clerical work. Moreover, numerous test items under SIRIM's Compatibility Inspection dovetail the MIL-STD Inspection Items. SIRIM Inspection thus serves no purpose for prevention of poor quality products other than delaying and complicating the import procedures. Its early repeal or simplification is in order. - On 22 January 2013, Ministry of Internal Trade and Industry (MITI) announced repeal of Temporary COA (TCOA) for COA (certificate of approval) Ruling, which is necessary upon import of steel products, the reason for repeal being the existence of some importers who take advantage of TCOA for unjustifiable purposes. More stringent COA employment, while blocking import of substandard steel products, will be a cause for concern over the import procedures, which may get even more complex.		

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		(2)	COA Procedures Made More Stringent	- Since 21 February 2013, SIRIM has made COA Scheme more stringent (making COA acquisition compulsory upon import over 144-items. Temporary certificate of approval (TCOA) was abolished (however, with a grace period of 6-months). As to special products destined to the 5-specific purposes, comprehensive package application is available once a year across-the-board. Changed COA application process: 1. Long-term (valid for 1-year after product certification test by foreign certification body (CB) or SIRIM or 2. Short-term (full type test by local or foreign CB validity determined each time). Procedures have been made more stringent, including sampling inspection at the loading port, SIRIM visit to factories, etc. For short term, sampling scheme is available at unloading port for small-scale importers.Implemented from 22 August 2013. - On 31 December 2012, SIRIM announced 141-items of the products that become subject to the COA requirements, beginning 1 March 2013.		
				(Actions) - In August 2014, Ministry of International Trade and Industry (MITI) added 27-items of section steel, wire grille, etc. to the list of products subject to mandatory standard. To get these products cleared through the customs, it requires acquisition of certificate of approval (COA).		
22	Environmental Pollution and Waste Disposal	(1)	Aggravated Haze Damage from Forest Burning	**- Smoke damage called "Haze" has gotten serious. Smokes from large-scale forest burning in June-July in Sumatra, Indonesia carried by monsoon have reached Malaysia. It has developed into gigantic social, environmental problems. In some cases, smoke damage originated also from the domestic Malaysia area.**	**- It is requested that GOJ takes steps to request GOM: -- to take drastic measures to correct the problems, and -- to tighten the domestic control also.**	
23	Inefficient Administrative Procedures, Regimes and Practices	(1)	Complex/Delayed Administrative Procedures for Licences and Approvals	- In the procedures concerning land registration, acquisition of construction licence, and business licence, numerous departments are involved, each taking several months, MFS is unable to proceed as planned.	- It is requested that GOM: -- delegates more power at one-stop-centre, -- expedites procedures, etc.	
25	Government Procurement	(1)	Expulsion of Foreign Capital from Government Tender	**- Enterprises majority owned by foreign capital are closed out from bidding for governmental procurement, as GOM by tradition restricts its procurement only from Bumiputera enterprises (Malaysian enterprises operated by Bumiputera Malaysians). Because of this, MFS makes sales through Bumiputera enterprises, with accompanying difficulties, such as slow payment, etc.**	- It is requested that GOM allows FFEs to sell goods to ministries and agencies.	- Government procurement from Bumiputera enterprises is a long- standing convention.

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				(Actions) - Malaysia is not a signatory to the WTO Agreement on Government Procurement. - On 14 September 2013, Prime Minister Najib announced the Malaysian and the Bumiputeras' Socio-Economic Development Programmes comprising of 5-Measures. As one of the main Measures, Prime Minister Najib directed Government-Linked Companies (GLCs) to increase procurement from Bumiputera enterprises for inclusion into the CEOs' key performance index (KPI).The Bumiputera Economic Council (MEB) directly reporting to Prime Minister Najib was established for it to serve as the propelling organisation, (7 October 2013 JETRO Business News).		
		(2)	Prioritising Indigenous Operators in Tender	- With certain exceptions, in procurement of services or goods relative to the petroleum operation, it is necessary to use the limited operators licenced or authorised by Petronas. In many cases, eligible operators are restricted. The requirement for use of the domestic operators pushes up the procurement prices.	- It is requested that GOM deregulates the restrictions in government tender to accept bidding by not only by (Malaysian capitalised) local enterprises operators but also by enterprises supplying products at competitive prices in the open general market.	- The Production Sharing Contract (PSC) - Petronas Model Procurement Rule (GSCM-PGA-01)
26	Others	(1)	Inadequate Broad Band Environment	- Improvement in the foundation for IT, telecommunications and broadcasting is indispensable for achieving a higher efficiency in business operation. Overhaul in the broadband environment is an absolute necessity. Digital broadcasting will enhance international competitive edge of the related industries. Early commencement of the digital broadcasting programme is an imperative necessity.	- It is requested that GOM overhauls the broadband environment that satisfies the business needs.	
		(2)	Hike in Electricity Charge for Commercial/ Industrial Use	- GOM officially announced hike in electricity charge by 15% (effective from January 2014). While this is a part of the measures that accompany reduction in government subsidy, the 15% hike is a large blow to enterprises consuming much power. In the case of MFS, it means the cost hike to the tune of RM2.4 million (or about 75 million in Japanese yen), an element aggravating its P/L picture. - Hike in electric power charge.	- It is requested that GOM gives advance notice with sufficient lead-time to enable users' preparation for timely budgetary readjustment. - It is requested that GOM abolishes restrictions on entry into Power Supply Industries. - Relative to tax incentive on investment into energy saving, eco-tax (reduction) was terminated in November 2013. In the face of power charge hike, it is requested that GOM takes steps to consider	- Notification of Ministry of Energy, Green Technology and Water, Malaysia (KeTTHA). - Electricity Supply Act

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					provision of incentive that facilitates each factory's investment into energy saving.	
				(Actions) - Since 1 May 2014, prices of industrial gas have been raised to 26.6% maximum.		
		(3)	Sudden Change/ Addition of National Holidays	- From time to time sudden abrupt changes take place in national holidays. GOM willy-nilly enforces the change, ignoring the severe impact upon private business sectors, (very much likely, due to political influence). - By GOM announcement, the change has taken place on public holidays in Johor State from Saturdays and Sundays to Fridays and Saturdays. While majority of enterprises and commercial-financial institutions would not observe the change, there is much concern that production and commercial activities will be affected. For example, no customs clearance is possible on Fridays.	- It is requested that GOM gives a sufficient lead-time in making changes in national holidays. - It is requested that GOM reverts to the calendar in which Saturdays and Sundays are holidays.	
		(4)	Water Shortage Problems	- Water supply stoppage has been frequent due to the plumbing damage on the public road, however, since 2014, due to abnormal weather, water outage has arisen. * Past record of water outage: -- 2012~13:, water outage: 8 times. -- 2014: water outage due to the same reason as above: once water outage due to drop in the dam water level: 13-times (Maximum 1.5-days)	- It is requested that GOM takes step to overhauls the infrastructure lest the issues described in the left column does not occur.	- Lembaga Urus Air Selangor (Water Department) http://www.luas.gov.my/
		(5)	Non Payment/ Payment Delays	- MFS is faced with collection problems with its customers: delays, difficulty in collection in its transactions, from differences in business custom, code of ethics, power balance, etc. While MFS deals on pre-payment principles, on short term business (smartphone parts manufacturing business, etc.), the highest priority falls on delivery and price, even the successful collection of accounts receivable has been achieved, the payment delays squeeze the profit.	- It is requested that GOM supports Small-to-Medium enterprises (SMEs) by providing information and warrants the collection risk.	