MALAYSIA

PRIVATE COMPANY (SDN. BHD.)

CLIENT GUIDE 2026

Company incorporation, foreign ownership, taxation and annual compliance

Professional company formation and ongoing corporate administration

BRIS GR LIMITED | 66 Paul Street, London EC2A 4NA, United Kingdom

general.info@bris-group.com | +44 207 206 2487 | +44 775 479 5814 | bris-group.com

COMPANY FORMATION OVERVIEW

Malaysia Sdn. Bhd. at a Glance

The standard Malaysian private limited company is a **company limited by shares**, commonly using the suffix **Sendirian Berhad (Sdn. Bhd.)**. It is incorporated under the **Companies Act 2016** and registered with the Companies Commission of Malaysia (SSM).

Topic	Current legal / practical position
Members	One or more members/shareholders; a single-member private company is permitted.
Directors	At least **1 director ordinarily resident in Malaysia** with a principal place of residence in Malaysia.
Company secretary	At least **1 qualified natural-person secretary**, Malaysian citizen/permanent resident ordinarily residing in Malaysia; first appointment within **30 days** of incorporation.
Registered office	A registered office in **Malaysia** must be maintained at all times.
Constitution	Optional for an ordinary company limited by shares unless the company chooses to adopt one.
Share capital	One or more shares; the Companies Act uses a no-par-value framework and does not impose a general high minimum capital for an ordinary private company.
Foreign ownership	100% foreign shareholding is possible in many ordinary activities, but sector licences, distributive trade, regulated activities and investment incentives may impose separate conditions.
SSM incorporation fee	**RM 1,000** for a company limited by shares.
Name reservation	**RM 50** per 30 days or part thereof; reservation can be extended up to the statutory maximum.
Annual return fee	Current SSM fee for a private company: **RM 150**.
Corporate income tax	General company rate: **24%**.

The Key Tax Conclusion

Malaysia is not a blanket 0% foreign-source company jurisdiction

A Malaysian resident company is subject to Malaysian income-tax rules. Since 2022, specified **foreign-sourced income received in Malaysia** can be taxable unless a statutory exemption applies. Foreign ownership or foreign customers alone do **not** make a Sdn. Bhd. tax-free.

For 2026, resident companies can still benefit from specific exemptions for qualifying **foreign dividends and gains from disposal of foreign capital assets** received in Malaysia, subject to the applicable exemption conditions. Malaysia's 2026 Budget proposes continuation/expansion from 2027 to 2030, but that future measure should not be confused with the current 2026 rules.

Key Benefits for International Clients

• 100% foreign shareholding available for many non-restricted activities.

• Single shareholder and single resident director can be sufficient.

• Low official incorporation fee of RM 1,000.

• Established common-law commercial environment and regional ASEAN platform.

• Extensive tax-treaty network.

• Specific foreign-income exemptions can apply where statutory conditions are satisfied.

• Electronic SSM incorporation and annual filings.

• Audit exemption available to qualifying small private companies under the phased 2025-2027 framework.

Corporate Requirements

Topic	Current legal / practical position
Private company	At least one member and one share; maximum-member rules and private-company restrictions apply under the Act.
Resident director	At least one director must ordinarily reside in Malaysia by having a principal place of residence there.
Secretary	Qualified secretary must be appointed within 30 days after incorporation.
Registered office	Must be in Malaysia and available for statutory communications/records.
Business address	Business address and nature of business are reported to SSM and changes must be updated.
Beneficial ownership	Companies are subject to the strengthened beneficial-ownership reporting framework introduced by the Companies (Amendment) Act 2024 and e-BOS lodgement requirements.
Annual return	Due within **30 days from the anniversary of incorporation**; no annual return is required in the calendar year of incorporation.
Financial statements	Private-company financial statements/reports are generally lodged within 30 days after circulation to members, subject to audit-exemption rules.

Foreign Ownership & Sector Restrictions

The Companies Act itself permits foreign participation, but the commercial answer depends on the business. Banking, insurance, financial services, education, telecommunications, petroleum, professional services, distributive trade and other regulated sectors can require licences, approvals, Bumiputera/local participation or minimum capital. BRIS should verify the exact activity before confirming 100% foreign ownership.

Share Capital

Malaysia abolished par value under the Companies Act 2016. An ordinary private company can be incorporated with a simple share structure; however, sector licences, work permits, foreign-owned distributive trade or investment approvals may require higher paid-up capital. Capital should therefore be set according to the intended activity and regulatory needs.

Corporate Income Tax

HASiL confirms the general corporate income-tax rate is **24%**. Preferential MSME rates are 15% on the first RM150,000, 17% on RM150,001-RM600,000 and 24% thereafter for companies meeting all statutory criteria.

Important Foreign-Ownership Limitation on SME Rates

From YA 2024, a Malaysian company with **more than 20%** of its paid-up ordinary share capital directly or indirectly owned by foreign companies or non-Malaysian individuals is **not eligible** for the preferential MSME corporate tax rates. A typical foreign-owned Sdn. Bhd. should therefore generally budget for the **24% standard rate**.

Foreign-Sourced Income (FSI)

Malaysia's post-2021 rules tax resident persons on specified foreign-source income received in Malaysia, subject to exemptions. For resident companies/LLPs, the current periodic exemption through **31 December 2026** covers qualifying foreign dividends and gains from disposal of foreign capital assets, subject to the exemption conditions. Other foreign business income remitted to Malaysia should not be assumed exempt.

Budget 2026 - Future FSI Measure

The Ministry of Finance's Budget 2026 tax measures propose that from **1 January 2027 to 31 December 2030** the exemption for foreign dividends and foreign capital-asset disposal gains received by resident companies/LLPs be continued and expanded to specified additional entities. This is a future-period measure; 2026 treatment remains governed by the current exemption framework.

Withholding Tax

Malaysia imposes withholding tax on specified payments to non-residents, including interest, royalties, contract payments and certain special classes of income. Applicable domestic rates can be reduced by a double-tax agreement where treaty conditions and documentation are satisfied.

Sales Tax / Service Tax

Malaysia uses **SST rather than a general VAT/GST**. Sales tax applies to specified taxable goods and service tax applies to prescribed taxable services. Rates and scope depend on the goods/service category and were materially expanded from 1 July 2025, so indirect-tax registration should be reviewed against the company's actual activities.

Formation Process

1. Confirm activity/foreign ownership **2.** Select/direct-register company name **3.** Confirm shareholder(s), resident director and capital **4.** Submit MyCoID incorporation **5.** Receive registration notice **6.** Appoint qualified secretary within 30 days **7.** Tax/banking/licensing/e-Invoice setup

SSM offers direct registration or separate name reservation followed by incorporation. A certificate of incorporation is not automatically issued; SSM issues the registration notice, while a formal certificate can be obtained separately on application and payment of the prescribed fee.

Typical Client Documents & Information

- Passport/identity and recent address evidence for shareholders, directors and beneficial owners.
- Proposed company name and detailed business activities.
- Malaysian registered-office and business-address arrangements.
- Details and consent of the Malaysian-resident director.
- Shareholding percentages and initial issued share capital.
- For corporate shareholders: certificate/extract, constitution and full ownership chain.
- Source-of-funds/source-of-wealth and business-purpose information.
- Corporate consent/resolution where a corporate shareholder is used.
- Sector/professional approvals where the proposed activity requires them.
- Information required for tax, SST, payroll and e-Invoice implementation.

Annual Return

Annual return: within 30 days of incorporation anniversary

Every local company must lodge an annual return within **30 days from its incorporation anniversary**, except in the calendar year in which it was incorporated. The current official SSM fee for a private company annual return is **RM 150**.

Accounting Records & Tax Filing

Companies must keep proper accounting and supporting records. HASiL states that tax records/books should be retained for **7 years**. A company must file its corporate income-tax return even where it has losses; dormant companies remain subject to the applicable annual income-tax return requirement.

Audit Exemption - 2026 Phase

SSM's revised audit-exemption framework is phased. For financial periods commencing in **2026**, Phase 2 thresholds are **RM 2 million annual revenue, RM 2 million total assets and 20 employees**. A private company must meet the directive's qualifying tests, including the required threshold history; public companies, subsidiaries of public companies and foreign companies are excluded. Dormant-company rules also apply.

e-Invoice - 2026

HASiL's current timeline brings taxpayers with annual turnover/revenue up to RM5 million into e-Invoice from **1 January 2026**, while taxpayers below RM1 million can qualify for exemption subject to the detailed criteria. For many new businesses commencing from 2026 that do not meet the exemption criteria, implementation begins **1 July 2026 or on commencement of operations, whichever is later**.

Annual / Ongoing Compliance Checklist

- Maintain Malaysian registered office and qualifying resident director.
- Maintain qualified Malaysian company secretary.
- File annual return within 30 days of incorporation anniversary.
- Maintain and update beneficial-ownership information through the statutory/e-BOS framework.
- Prepare/circulate/lodge financial statements as required.
- Assess annual audit-exemption eligibility under the current phase.
- Keep accounting/tax records for at least 7 years.
- File annual corporate income-tax return and tax estimates/installments as applicable.
- Review foreign-sourced income received in Malaysia and exemption conditions.
- Apply withholding tax and treaty relief to relevant non-resident payments.
- Register/file SST where prescribed activities/thresholds apply.
- Implement e-Invoice according to the current 2026 HASiL timeline.
- Maintain payroll/EPF/SOCSO and sector licences where applicable.

Why Malaysia Can Be Attractive

Topic	Current legal / practical position
Foreign ownership	100% foreign ownership possible in many ordinary sectors.
Simple private company	One shareholder and one resident director can be sufficient.
Low registry cost	RM 1,000 official incorporation fee.
Regional platform	Established ASEAN operating and holding location with substantial banking/trade infrastructure.
Treaty network	Broad DTA network for qualifying cross-border structures.
FSI relief	Specific foreign-dividend and foreign capital-gain exemptions available in 2026 where conditions are met.
Audit exemption	Phased exemption can reduce audit burden for qualifying small private companies.
Digital compliance	MyCoID/MBRS, e-BOS and nationwide e-Invoice framework.

How BRIS Group Supports You

Structure & ownership review - Assess Sdn. Bhd. suitability, foreign-ownership restrictions, sector licensing and capital requirements.

Company formation - Coordinate name, incorporation, shareholder/director structure and SSM registration.

Resident director / secretary - Coordinate compliant local corporate administration through appropriate Malaysian professionals.

KYC / beneficial ownership - Coordinate shareholder, director, UBO and source-of-funds/wealth documentation.

Tax & FSI review - Coordinate corporate tax registration, 24%/MSME-rate analysis, foreign-sourced income and treaty review.

Accounting / audit - Coordinate bookkeeping, financial statements, audit or audit-exemption assessment and tax filings.

SST / e-Invoice - Coordinate indirect-tax and 2026 e-Invoice implementation requirements.

Banking & annual maintenance - Prepare banking KYC and coordinate annual return, e-BOS updates and ongoing company maintenance.

Professional Fees & Quotations

Tailored quotation

This brochure is informational and is not a fee quotation. Current SSM government fees are shown where officially verified. BRIS Group professional fees, resident-director/secretarial services, registered office, accounting/audit, tax, licensing, certifications and banking support are quoted separately.

Important Legal & Tax Notes

Malaysia should not be promoted as a blanket 0% foreign-source company jurisdiction. The standard company rate is **24%**, and a typical company with more than 20% foreign ownership cannot use the preferential MSME rates. Specific foreign dividends and foreign capital-asset gains received in Malaysia can qualify for exemption in 2026 if the statutory conditions are met.

Official Sources Reviewed

Companies Commission of Malaysia (SSM): Companies Act 2016 framework; current incorporation guidance and fees; annual submissions; Companies (Amendment) Act 2024 beneficial-ownership framework; Practice Directive 10/2024 audit exemption, updated in 2026.

Inland Revenue Board of Malaysia (HASiL): current corporate tax rates and corporate-tax guidance; Public Ruling No. 8/2025 on micro/small/medium companies; current 2026 e-Invoice timeline and guidance.

Malaysia Ministry of Finance: Budget 2026 official tax measures on foreign-sourced income, used to distinguish the current 2026 exemption period from the proposed/announced 2027-2030 continuation.

Correct BRIS tax positioning

The accurate message is: **Malaysia offers a reputable operating/holding company regime with targeted foreign-income relief, but not automatic 0% tax for foreign business.** For a substantially foreign-owned Sdn. Bhd., the standard 24% rate is normally the starting point.

Information reviewed: August 2026. Foreign ownership, paid-up capital, sector licences, FSI exemption conditions, SST, audit exemption and e-Invoice requirements should be reconfirmed for the client's actual activities and ownership before incorporation.

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