

DISCOVERING THE POTENTIAL OF

Malaysia



Malaysia: A Strategic Hub for Regional Expansion



Welcome to Malaysia, a dynamic economy in Southeast Asia recognised for its diverse industries, skilled workforce, and competitive business environment. With strong trade links, modern infrastructure, and government support for investment, Malaysia continues to attract global companies seeking growth in Asia.

Located at the crossroads of ASEAN, Malaysia offers direct access to one of the world's fastest-growing regional markets. Its focus on digitalisation, green energy, and advanced manufacturing is creating fresh opportunities for international investors.

This Malaysia Country Guide provides essential insights into regulations, cultural expectations, major industries, and policy incentives. It is designed to help businesses navigate Malaysia's evolving market landscape and expand with confidence in one of Asia's most business-friendly economies.

Table of Contents

About Malaysia	04	Opportunities	35
Geography & Climate	05	High-Growth Industries & Sectors	36
Currency	06	Government Initiatives & Incentives	38
Population	07	Emerging Trends & Business-Friendly Regions	40
Infrastructure	09		
Regional Opportunities	11		
Why Malaysia?	13	Resources	43
Economic Indicators & Outlook	14	Official Government Websites & Investment Agencies	44
Strategic Advantages	15	Industry Associations & Chambers of Commerce	45
Major Industries Driving Growth	17	Eos's Service Offerings in Malaysia	46
Legal Essentials	20	Expert Tips	47
Business Registration Process & Requirements	21	Overcoming Common Challenges	48
Taxation Overview	23	Avoiding Potential Cultural Misunderstanding	49
Labour Laws	25	Additional Tips	50
Visas for Foreign Nationals	28		
Cultural Tips	30		
Professional Culture Insights	31		
Social & Cultural Norms	33		



About Malaysia



Geography & Climate

Location

Malaysia is a Southeast Asian nation divided into two main regions: Peninsular Malaysia on the Malay Peninsula and East Malaysia on the island of Borneo. The two are separated by the South China Sea. Malaysia shares land borders with Thailand, Indonesia, Brunei and has close maritime proximity to Singapore and the Philippines. Its location along key maritime routes makes it a strategic gateway to ASEAN and Asia-Pacific markets.

Terrain and Climate

Malaysia features a mix of coastal plains, forested hills, and mountainous interiors. The Titiwangsa Range runs down the centre of Peninsular Malaysia, while East Malaysia is home to Mount Kinabalu, the country's highest peak at 4,095 metres. Extensive rainforests contribute to its status as one of the world's 17 megadiverse countries.

The country has a tropical rainforest climate characterised by high humidity and consistently warm temperatures throughout the year.

- **Temperature:** Typically ranges between 25°C and 32°C
- **Rainfall:** Averages over 2,500 mm annually, with higher levels in parts of East Malaysia



Geography & Climate

- **Seasons:**
 - **Northeast Monsoon:** November to March, bringing heavy rainfall to the east coast of Peninsular Malaysia and parts of East Malaysia
 - **Southwest Monsoon:** May to September, generally drier but with localised showers
- **Natural Hazards:** Seasonal flooding is common during the northeast monsoon, and haze from regional forest fires can occasionally affect air quality.

Currency

The Malaysian ringgit (MYR), symbolised as RM, is the official currency regulated by Bank Negara Malaysia (the Central Bank). It is used nationwide for retail, business, and digital transactions.

Denominations:

- **Banknotes:** RM1, RM5, RM10, RM20, RM50, RM100
- **Coins:** 5 sen, 10 sen, 20 sen, 50 sen
- **Exchange Rate & Stability:** The ringgit operates under a managed float system, with its value influenced by global market conditions. As of August 2025, it trades at around RM4.20–RM4.25 per USD.
- **Convertibility:** The ringgit is not traded offshore; currency exchange must be conducted within Malaysia.
- **Digital Payments:** E-wallets such as Touch 'n Go, Boost, GrabPay, and ShopeePay are widely used, alongside QR-based payment systems.
- **Business Insight:** Businesses should monitor currency trends and consider hedging strategies for import-export operations, particularly when dealing in USD, CNY, or SGD.

Population

Size & Demographics

- **Total Population (2025):** Approximately 34.4 million
- **Median Age:** 31.3 years (2025 estimate)
- **Elderly (65+):** Around 7.5% of the total population
- **Ethnic Composition:**
 - Malay/Bumiputera: ~69.8%
 - Chinese: ~22.4%
 - Indian: ~6.8%
 - Others (including indigenous Orang Asli, ethnic minorities in Sabah and Sarawak, and expatriates): Remaining percentage

Urbanisation

Urban Population: Approximately 78%

Key Cities:

- Kuala Lumpur: National capital and financial hub, hosting government institutions, MNC headquarters, and a thriving services sector
- George Town (Penang): Leading hub for electronics manufacturing, heritage tourism, and creative industries
- Johor Bahru: Gateway to Singapore and a centre for manufacturing, logistics, and cross-border trade
- Kota Kinabalu (Sabah): East Malaysia's tourism, logistics, and oil & gas base
- Kuching (Sarawak): Regional hub for administration, manufacturing, and resource-based industries



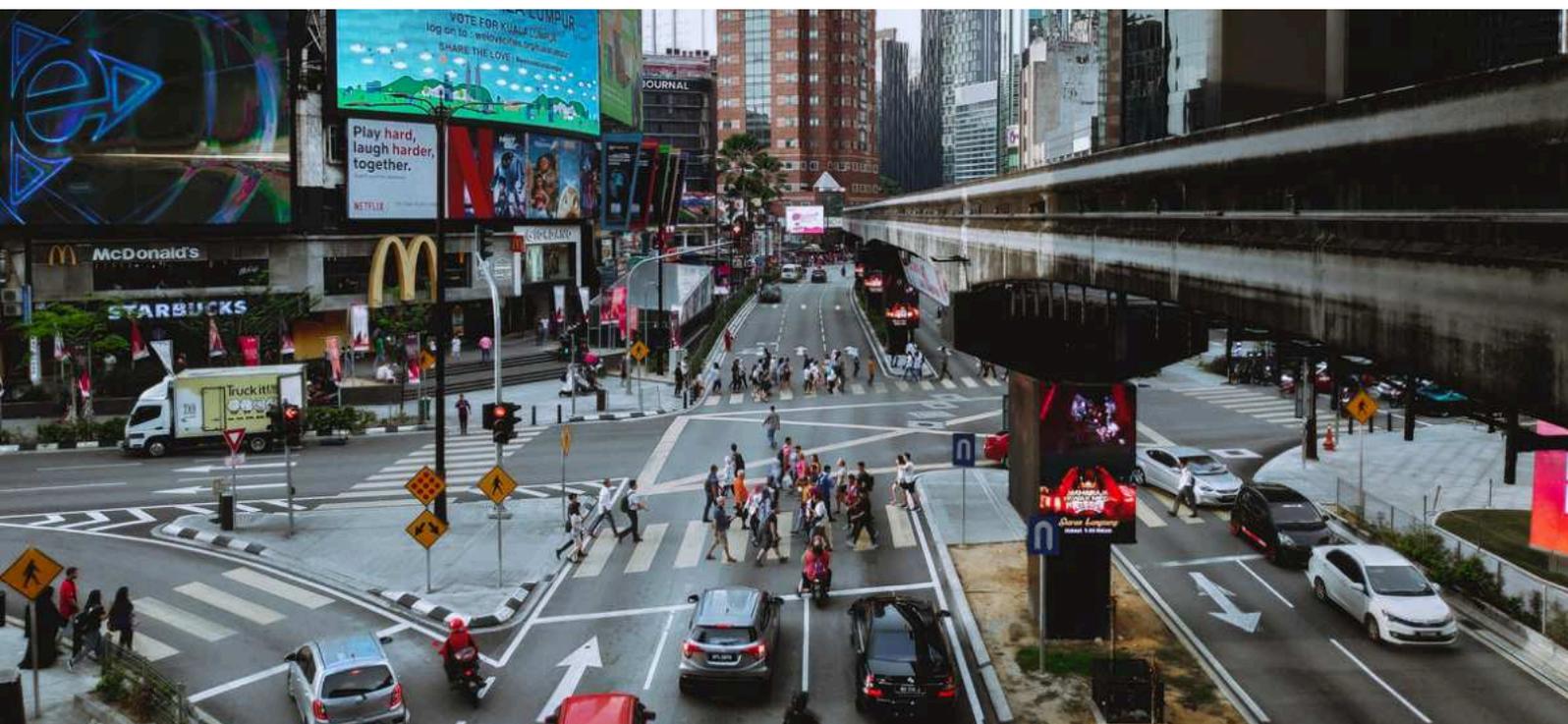
Population

Workforce

- **Labour Force Size (2025):** 17.22 million
- **Participation Rate:** 70.6%
- **Workforce Profile:** Culturally diverse, multilingual, and moderately young, with strengths in manufacturing, services, and emerging digital sectors
- **Business Insight:** Talent availability is strong in engineering, finance, and ICT, but ongoing upskilling is needed to meet Industry 4.0 demands.

Foreign Workforce & Migration

- **Work Visa Options:** Employment Pass (EP), Temporary Employment Pass, and Professional Visit Pass are the main routes for foreign workers.
- **Recent Policy Updates:**
 - Minimum salary thresholds for Employment Pass have been revised to attract higher-skilled talent.
 - Ongoing implementation of the Malaysia Digital initiative streamlines entry for tech professionals.
 - Enhanced compliance checks on employers to ensure adherence to quota and levy regulations.



Infrastructure

Transportation

- **Kuala Lumpur International Airport (KLIA):** Malaysia's main gateway in Sepang, with two terminals serving full-service and low-cost carriers. Passenger traffic reached 57.1 million in 2024, with ongoing expansion to upgrade terminals and cargo facilities.
- **Penang International Airport:** Key hub for northern Malaysia, supporting passenger traffic and air freight, particularly in the electronics sector.
- **Port Klang:** The country's largest port and the world's 10th busiest container port, strategically located on the Straits of Malacca. It handled 14.64 million TEUs in 2024 and targets 15 million TEUs in 2025.
- **Port of Tanjung Pelepas (PTP):** A deepwater port in Johor specialising in transshipment and equipped with modern container-handling facilities.
- **East Coast Rail Link (ECRL):** A 665 km rail project connecting Kota Bharu to Port Klang, aimed at improving cargo movement and regional connectivity. As of July 2025, construction is 85% complete, with opening planned for January 2027.
- **Expressway Network:** Includes the North-South Expressway and extensive tolled highways linking key cities and industrial zones across Peninsular Malaysia.

Digital Infrastructure

- **Malaysia Digital Initiative:** National framework promoting the growth of the digital economy through infrastructure, incentives, and talent programmes.
- **5G Rollout & Data Centres:** Nationwide 5G deployment is underway, with 82.4% coverage achieved as of August 2025 and full coverage in populated areas targeted by year-end. Significant investments from Microsoft, Google, and Equinix are expanding Malaysia's role as a regional data hub.
- **E-Government & Digital Payments:** Government services are increasingly accessible via the MyGov portal, while digital payments through DuitNow QR, Touch 'n Go eWallet, GrabPay, and Boost are widely used.

Infrastructure

Energy

- **Power Generation Mix:** Malaysia's energy supply is dominated by natural gas and coal, with renewables (hydro, solar, biomass) contributing about 26% of installed capacity.
- **Renewable Energy Targets:** The National Energy Transition Roadmap (NETR) aims for 70% renewable capacity by 2050, focusing on solar, hydro, and biomass.
- **Grid Expansion & Energy Security:** Projects such as the Sabah-Sarawak Power Interconnection and national grid upgrades aim to improve reliability and integrate renewable sources.

Special Economic Zones

- **Iskandar Malaysia:** A development corridor in Johor attracting investment in manufacturing, logistics, education, and healthcare, leveraging proximity to Singapore.
- **East Coast Economic Region (ECER):** Encompasses Kelantan, Terengganu, Pahang, and parts of Johor, with incentives for agribusiness, tourism, and manufacturing.
- **Sarawak Corridor of Renewable Energy (SCORE):** Utilises abundant hydropower to attract energy-intensive industries, including aluminium smelting and petrochemicals.
- **Sabah Development Corridor (SDC):** Focused on tourism, agriculture, and oil & gas sectors in Sabah.



Regional Opportunities

Greater Kuala Lumpur / Klang Valley (Kuala Lumpur, Selangor, Putrajaya)

Government, Finance, Business Services

Malaysia's political, financial, and commercial hub, home to federal government institutions, Bank Negara Malaysia, and numerous corporate headquarters. The area leads in banking, ICT, professional services, and MICE activities.

Key Opportunities: Financial services, corporate support, ICT, real estate, consulting

Northern Corridor (Penang, Kedah, Perlis, Northern Perak)

Electronics, Manufacturing, Logistics

Penang is a global leader in semiconductors, electronics, and medical device manufacturing, supported by strong port and airport infrastructure. The region also offers heritage tourism and creative industries.

Key Opportunities: Semiconductors, medical devices, logistics, heritage tourism

Southern Corridor (Johor, Malacca, Negeri Sembilan)

Manufacturing, Logistics, Cross-Border Trade

Johor benefits from proximity to Singapore, major ports, and industrial parks. Malacca is a historic tourism centre with a growing manufacturing base.

Key Opportunities: Advanced manufacturing, logistics, agribusiness, tourism

Regional Opportunities

East Coast Economic Region (Kelantan, Terengganu, Pahang)

Oil & Gas, Agribusiness, Tourism

Rich in petroleum, fisheries, and agriculture, this region is set to benefit from the East Coast Rail Link, improving connectivity with the west coast and ports.

Key Opportunities: Oil & gas, halal food, sustainable tourism, agro-processing

Sabah

Tourism, Agriculture, Oil & Gas

Known for Mount Kinabalu, marine biodiversity, and palm oil production. Kota Kinabalu serves as the state's tourism and logistics hub.

Key Opportunities: Eco-tourism, agriculture, aquaculture, downstream oil & gas

Sarawak

Renewable Energy, Resource Processing, Manufacturing

Powered by abundant hydropower, Sarawak's SCORE initiative supports energy-intensive industries and downstream resource processing. Kuching is the administrative and commercial centre.

Key Opportunities: Hydropower-based industries, timber processing, manufacturing, tourism



Why Malaysia?



Economic Indicators & Outlook

GDP Growth

- **Q2 2025:** Expanded by 4.4% year-on-year, consistent with Q1, driven by household spending and a resilient labour market.
- **Full-year Forecast:** Bank Negara Malaysia has revised its projection to 4.0%–4.8% for 2025, down from the earlier 4.5%–5.5%, amid global trade uncertainties.
- **Business Insight:** Strong internal demand and tourism are cushioning external headwinds, helping Malaysia retain appeal despite trading risks.

Inflation

- **June 2025:** Headline inflation stood at just 1.1% year-on-year, the slowest increase in over four years.
- **Outlook:** Expected to stay moderate in 2025, within the 2%–3.5% target range set by Bank Negara Malaysia.
- **Business Insight:** Low inflation supports stable cost planning and increases predictability for investors and businesses.

Unemployment & Labour Market

- **Current Rate:** Around 3.1%–3.3%, near decade lows, underpinned by steady employment gains and strong labour demand.
- **Business Insight:** A tight labour market supports consumer spending and boosts domestic resilience against external shocks.

Trade & External Risks

- Malaysia faces increasing pressure from U.S. tariffs, especially on electronics and semiconductor exports.
- **Business Insight:** While trade remains a key risk, continued demand for electronics and inbound tourism provide meaningful buffers.

Policy Response & Reforms

- The central bank has cut its overnight policy rate to 2.75%, the first rate reduction in five years, to safeguard growth.
- Bank Negara Malaysia emphasises the need for structural reforms to boost competitiveness and move toward high-income status.
- **Business Insight:** Lower financing costs and fiscal discipline enhance investment prospects and economic stability.

Economic Indicators & Outlook

Economic Outlook Summary

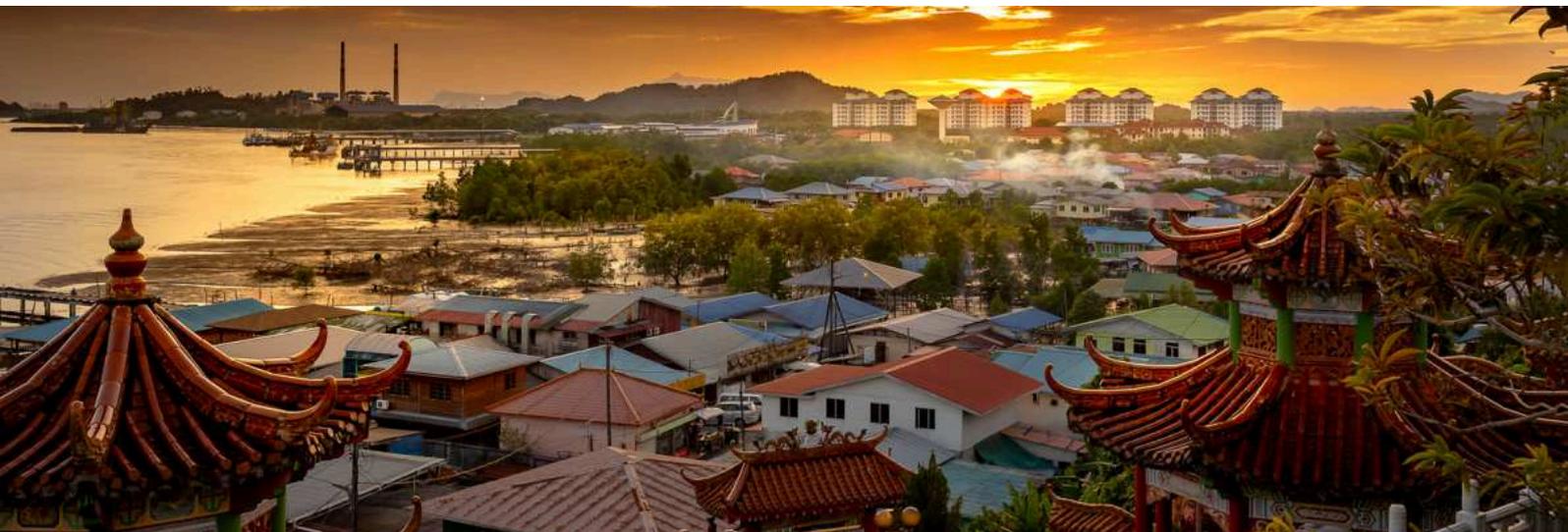
Malaysia is on track for moderate growth in 2025, with GDP expected to expand between 4% and 4.8%. The economy remains supported by strong domestic consumption, low inflation, and sustained employment. External uncertainties, particularly in trade, pose risks, but proactive policy responses and resilient fundamentals reinforce investor confidence and long-term potential.

Strategic Advantages

Macroeconomic Stability

Malaysia is forecast to grow between 4% and 4.8% in 2025, driven by robust domestic demand, stable inflation, and healthy employment levels.

- **Resilient Domestic Demand:** Private consumption remains a key growth engine, supported by wage growth, targeted subsidies, and a growing middle class.
- **Prudent Fiscal Management:** Efforts to narrow the budget deficit and maintain debt sustainability reinforce fiscal stability.
- **Diversified Economic Base:** Manufacturing, services, and commodities all contribute to economic resilience.
- **Infrastructure Investment:** Significant allocations in the 2025 national budget are enhancing connectivity, utilities, and logistics capacity.



Strategic Advantages

Strategic Location & Regional Integration

Positioned at the heart of Southeast Asia, Malaysia offers efficient access to ASEAN, East Asia, and global markets via well-developed trade and transport networks.

- **Maritime Gateway:** The Strait of Malacca handles a large share of global shipping, linking Asia with Europe, the Middle East, and Africa.
- **ASEAN Membership:** Participation in ASEAN and RCEP supports market access and supply chain integration.
- **Transport Upgrades:** Continued investment in airports, seaports, highways, and rail networks strengthens Malaysia's position as a logistics hub.
- **Growing International Ties:** Active bilateral and multilateral trade agreements expand export markets and attract foreign investment.

Sectoral Strengths & Competitive Industries

Malaysia's competitive sectors benefit from skilled talent, global demand, and advanced infrastructure.

- **Electronics & Semiconductors:** A global leader in assembly, testing, and packaging, with Penang as a key high-tech hub.
- **Islamic Finance:** Recognised as one of the world's leading centres for Shariah-compliant banking and capital markets.
- **Tourism & Hospitality:** Natural attractions, cultural diversity, and medical tourism fuel growth.
- **Palm Oil & Agribusiness:** Strong global demand and government support sustain sector expansion.

Investment Climate & Market Access

Pro-business policies and strategic reforms create an attractive environment for investors.

- **Liberalised Sectors:** Greater foreign participation is allowed in key industries such as logistics, manufacturing, and services.
- **Special Economic Zones (SEZs):** Industrial parks and free zones offer tax incentives, streamlined processes, and modern infrastructure.
- **Large Consumer Base:** A population exceeding 34 million drives demand for retail, digital services, and financial products.
- **Digital Transformation:** Government and private sector initiatives accelerate adoption of e-commerce, fintech, and Industry 4.0 technologies.

Strategic Advantages

Innovation & Human Capital Development

Malaysia is building capacity in innovation-led and knowledge-based industries.

- **Technology Hubs:** Cyberjaya, Penang, and Kuala Lumpur foster growth in IT, electronics, and digital services.
- **Education & Skills:** Investments in STEM, technical training, and digital literacy enhance workforce competitiveness.
- **Public-Private Partnerships:** Collaborative initiatives support R&D, tech adoption, and entrepreneurship.
- **Youth & Diversity:** A young, multilingual workforce supports cross-border trade and innovation potential.

Major Industries Driving Growth

Manufacturing & Electronics

- **Contribution to GDP:** Manufacturing contributes around 23.5% of GDP, with electrical and electronics (E&E) accounting for nearly 40% of exports.
- **Recent Performance:** Malaysia is a top global exporter of semiconductors, integrated circuits, and consumer electronics. The sector continues to expand through advanced packaging, wafer fabrication, and integrated circuit (IC) design.
- **Strategic Initiatives:** The National Semiconductor Strategy (NSS) targets the creation of 10 global IC design champions by 2030, backed by incentives and R&D funding.
- **Outlook:** Strong global demand for electronics, supported by Malaysia's established supply chains and regional integration, positions the sector for continued long-term growth.

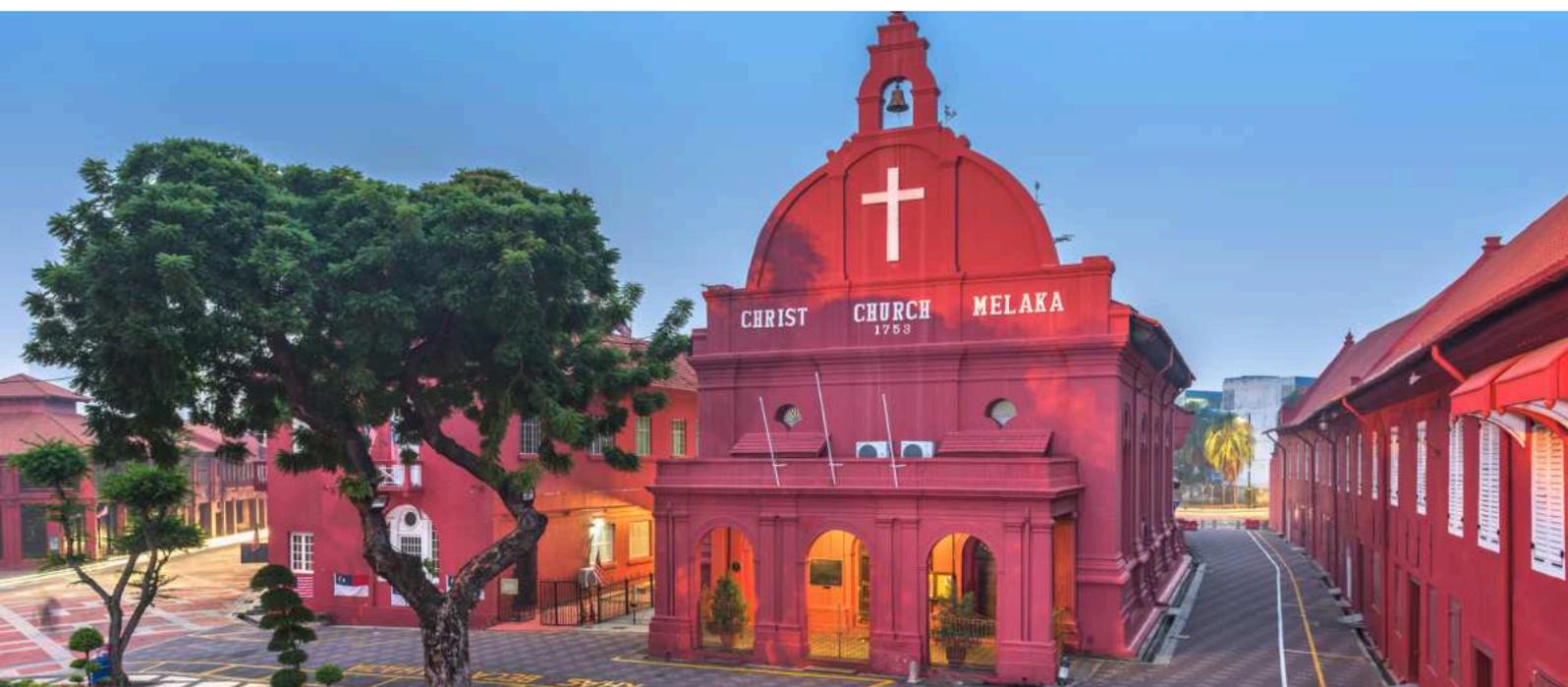
Major Industries Driving Growth

Tourism & Hospitality

- **Contribution to GDP:** Tourism contributed 15.9% of GDP in 2019, with recovery reaching 14.0% in 2024.
- **Recent Performance:** Malaysia recorded 25 million international visitors in 2024, nearing pre-pandemic highs. Top markets include Singapore, Indonesia, and China.
- **Strategic Initiatives:** The National Tourism Policy 2020–2030 focuses on sustainable tourism, ecotourism, and enhancing connectivity in secondary cities.
- **Outlook:** Strong recovery in leisure, MICE (meetings, incentives, conferences, exhibitions), and medical tourism supports future growth.

Agriculture & Palm Oil

- **Contribution to GDP:** Agriculture contributes around 7.1% of GDP, employing about 15% of the workforce.
- **Key Products:** Palm oil remains a leading export, complemented by rubber, cocoa, and tropical fruits.
- **Sustainability Focus:** Malaysia is advancing sustainable palm oil certification schemes to maintain global competitiveness.
- **Outlook:** Continued investment in agritech, downstream processing, and ESG compliance will strengthen the sector's export appeal.



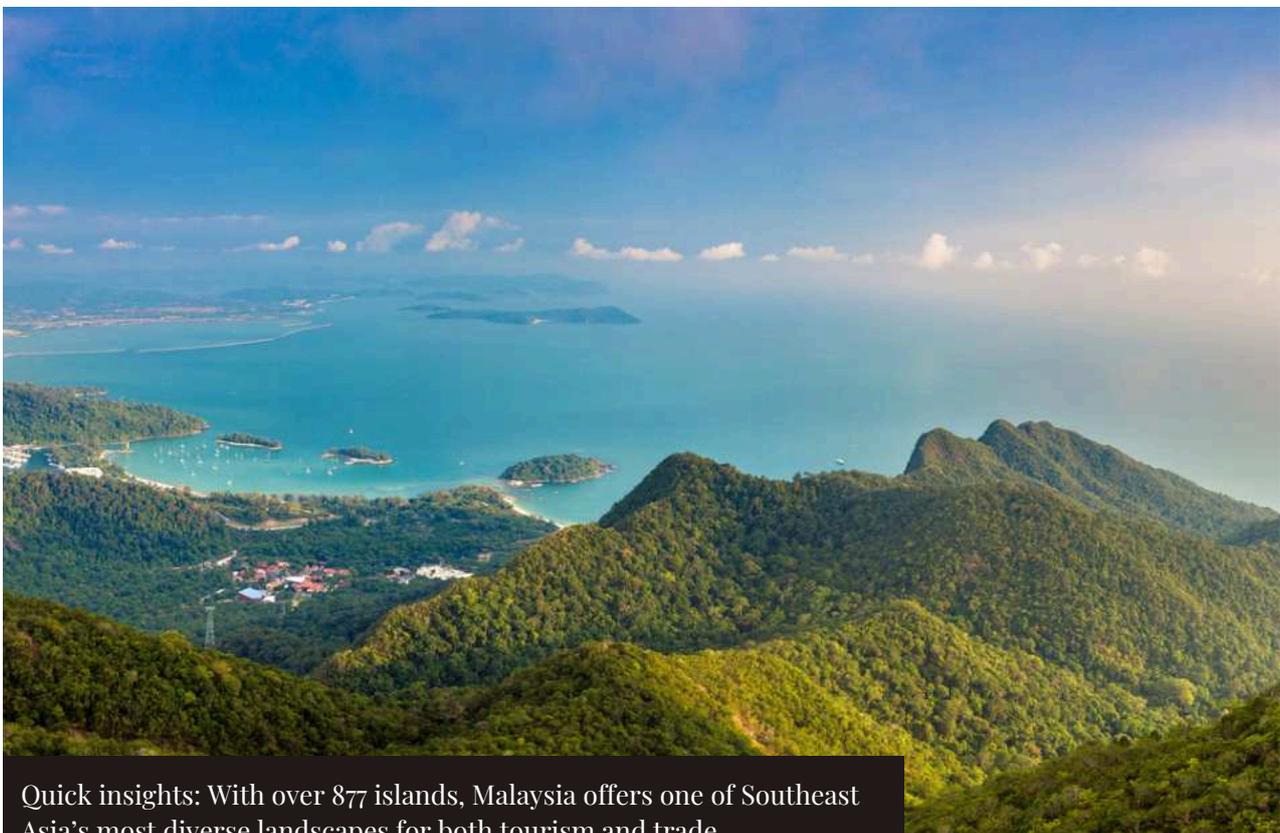
Major Industries Driving Growth

Finance & Islamic Banking

- **Global Leadership:** Malaysia is one of the world's leading Islamic finance hubs, with Islamic banking assets accounting for over 40% of total banking sector assets.
- **Recent Trends:** Fintech and digital banking licences have been introduced, driving innovation in payments and financial inclusion.
- **Outlook:** The sector is expected to remain resilient, supported by domestic demand, strong regulatory frameworks, and regional expansion opportunities.

Green Energy & Transition Industries

- **National Targets:** Under the National Energy Transition Roadmap (NETR), Malaysia aims for 70% renewable capacity by 2050.
- **Growth Areas:** Solar energy, carbon capture, electric vehicles (EV), and hydrogen are emerging focus areas.
- **Outlook:** Government incentives and partnerships are opening opportunities in clean energy technology, sustainable infrastructure, and green financing.



Quick insights: With over 877 islands, Malaysia offers one of Southeast Asia's most diverse landscapes for both tourism and trade.



Legal Essentials



Business Registration Process and Requirements

Setting up a business in Malaysia is relatively straightforward, supported by clear procedures under the Companies Commission of Malaysia (SSM). Foreign investors should note local directorship rules, paid-up capital thresholds, and any sector-specific licensing requirements.

Common Business Structures

- **Private Limited Company (Sdn Bhd):** The most common structure for both local and foreign investors. A separate legal entity offering limited liability. Requires at least one resident director and a qualified company secretary.
- **Sole Proprietorship:** Owned and managed by one individual. Easy to set up, but the owner is personally liable for all debts and obligations.
- **Partnership:** Formed by two or more individuals or entities (up to 20 partners). Includes both general partnerships and Limited Liability Partnerships (LLPs), with LLPs offering liability protection.
- **Branch Office:** An extension of a foreign parent company. Requires at least one authorised agent who is a Malaysian resident. Liabilities remain with the parent entity.
- **Representative Office:** Established for market research, liaison, or coordination activities. Cannot generate revenue or sign contracts. Valid for up to two years, renewable on a case-by-case basis.

Business Registration Process and Requirements

Key Steps to Register

- **Reserve a business name** with SSM via the ezBiz portal (for proprietorships/partnerships) or MyCoID portal (for companies).
- **Decide on the business structure** and prepare required incorporation documents.
- **Appoint key personnel**, including at least one resident director and a company secretary (for companies).
- **Submit Documents and Pay Fees** to SSM. Registration fees start from RM30 for sole proprietorships and from RM1,000 for companies.
- **Obtain Certificate of Registration or Incorporation** issued by SSM.
- **Open a corporate bank account** in Malaysia under the registered business name.
- **Register for taxes** with the Inland Revenue Board (LHDN) and, if applicable, for Sales and Service Tax (SST).
- **Apply for sector-specific licences or permits**, depending on the industry (e.g., retail, F&B, financial services).

Note: Timelines and requirements vary depending on the business type and sector. Partnering with local experts like **Eos Global Expansion** ensures smooth setup, compliance with Malaysian law, and efficient entry into the market.

Taxation Overview

Corporate Income Tax (CIT)

- **Standard Rate:** 24% for most resident companies.
- **SMEs:** 15% on the first MYR 150,000 of chargeable income, 17% on the next MYR 450,000, and 24% thereafter. Applies to companies with paid-up capital ≤ MYR 2.5 million and gross income ≤ MYR 50 million.
- **Non-Resident Companies:** Taxed at 24% on Malaysian-sourced income only.
- **Special Rates:** Certain sectors, such as petroleum operations, may face higher rates (up to 38%).

Value-Added Tax (Sales and Service Tax – SST)

- Malaysia does not impose a VAT or GST currently. Instead, the Sales and Service Tax (SST) applies.
- **Sales Tax:** 5% or 10% on taxable goods manufactured in or imported into Malaysia.
- **Service Tax:** 8% from March 2024 (previously 6%), covering services such as hospitality, professional services, and digital platforms.

Personal Income Tax (PIT)

- **Residents:** Taxed on a progressive scale from 0% to 30%, depending on income level.
- **Non-Residents:** Flat rate of 30% on Malaysian-sourced income.
- **Exemptions/Reliefs:** Various tax reliefs are available, including for education, lifestyle, and insurance.



Taxation Overview

Withholding Tax (WHT)

Applicable on payments to non-residents:

- **Dividends:** Exempt, as Malaysia practises a single-tier corporate tax system.
- **Interest:** 15% (unless reduced under a tax treaty).
- **Royalties:** 10% (unless reduced under a tax treaty).
- **Services (technical, management, or consultancy):** 10% on gross income.

Tax Incentives

Malaysia offers extensive tax incentives through the Malaysian Investment Development Authority (MIDA) and other agencies:

- **Pioneer Status:** Partial income tax exemption (70% or 100%) for 5–10 years.
- **Investment Tax Allowance (ITA):** Allowances of 60%–100% on qualifying capital expenditure, offset against 70% of statutory income.
- **Sector-Specific Incentives:** Available for high-tech manufacturing, the digital economy, green technology, and principal hub operations.
- **Special Economic Corridors and Free Zones:** Offer additional exemptions on customs duties, excise duties, and sales tax.

Tax Administration and Compliance

- Businesses must register with the Inland Revenue Board of Malaysia (IRBM/LHDN).
- Corporate tax filings are due within 7 months after the financial year-end.
- Estimated tax payments must be made in monthly installments.
- Transfer pricing rules apply for related-party transactions, and contemporaneous documentation is mandatory.

Labour Laws

Working Hours & Overtime

- Standard working hours are capped at 45 hours per week, usually spread across 5–6 working days.
- Daily working hours should not exceed 8 hours without overtime.
- Overtime pay rates depend on when the work is performed:
 - Normal workdays: 1.5 times the hourly rate
 - Rest days: 2 times the hourly rate (for hours beyond normal working hours)
 - Public holidays: 3 times the hourly rate (for hours beyond normal working hours)
- Overtime is capped at 104 hours per month, unless special exemptions are obtained.

Minimum Wage

- The national minimum wage is MYR 1,700 per month (effective February 1, 2025), increased from MYR 1,500.
- Implementation follows a two-phase approach:
 - Phase 1 (Feb 1, 2025): Companies with 5+ employees and professional service providers
 - Phase 2 (Aug 1, 2025): All remaining employers



Labour Laws

Employment Contracts

- Both fixed-term and permanent contracts are recognised.
- Written contracts are mandatory for employment exceeding one month. Contracts must clearly state job scope, compensation, working hours, leave entitlements, and termination conditions.
- Employers must issue itemised payslips and maintain proper employment records.

Termination & Severance Pay

- Notice periods range from 4 to 8 weeks, depending on years of service, unless otherwise stated in the employment contract.
- Severance pay (termination benefits) applies to employees with at least 12 months of service, typically calculated at:
 - 10 days' wages per year of service (1–2 years)
 - 15 days' wages per year (2–5 years)
 - 20 days' wages per year (5+ years)
- Dismissal without notice is permitted only in cases of misconduct.



Labour Laws

Leave Entitlements

- Annual leave: 8–16 days, depending on length of service.
- Public holidays: 11 days annually minimum (5 mandatory national holidays + 6 additional holidays chosen by employer from gazetted public holidays).
- Sick leave: 14–22 days, depending on service duration, plus 60 days of hospitalisation leave.
- Maternity leave: 98 consecutive days for female employees.
- Paternity leave: 7 consecutive days (effective Jan 2023).

Social Security & Benefits

Employers must contribute to three main statutory schemes:

- Employees Provident Fund (EPF): Retirement savings with contribution rates: Employer 13% (salary ≤RM5,000) or 12% (salary >RM5,000); Employee 11%; Total 23%–24%.
- SOCSO (Social Security Organisation): Provides employment injury and invalidity protection.
- EIS (Employment Insurance System): Covers job loss benefits and retraining.

Foreign workers are covered under SOCSO but not required to contribute to EPF unless voluntarily agreed.



Visas for Foreign Nationals

Key Work Pass Types

Employment Pass (EP)

- For foreign professionals in managerial, executive, or technical roles.
- Divided into categories based on salary:
 - **EP I:** Minimum RM 10,000 monthly salary, valid for up to 5 years.
 - **EP II:** RM 5,000–9,999 monthly salary, valid for up to 2 years.
 - **EP III:** RM 3,000–4,999 monthly salary, valid up to 12 months, renewable up to 24 additional months (36 months maximum). Available since 2017.
- Requires an employment contract and approval from the Expatriate Services Division (ESD).

Professional Visit Pass (PVP)

- For foreign nationals providing professional services or undergoing training in Malaysia on behalf of an overseas employer.
- Valid up to 12 months, non-renewable.

Temporary Employment Pass (TEP)

- For low-skilled and semi-skilled foreign workers in approved sectors (manufacturing, plantation, agriculture, construction, services).
- Subject to sectoral quotas and levies.
- Typically valid for up to 12 months, renewable annually.

Dependent & Long-Term Visit Passes

- **Dependent Pass:** For legally married spouses and children (under 18 years) of eligible EP holders.
- **Long-Term Social Visit Pass:** For common-law spouses, parents, or other dependents on a case-by-case basis.
- Work authorisation requires a separate application.

Visas for Foreign Nationals

Malaysia My Second Home (MM2H)

- A long-term residency programme for foreign nationals meeting financial and residency requirements.
- Provides renewable 5-year social visit passes, with rights to reside but not automatically to work (separate approval needed).

Recent Developments (2025)

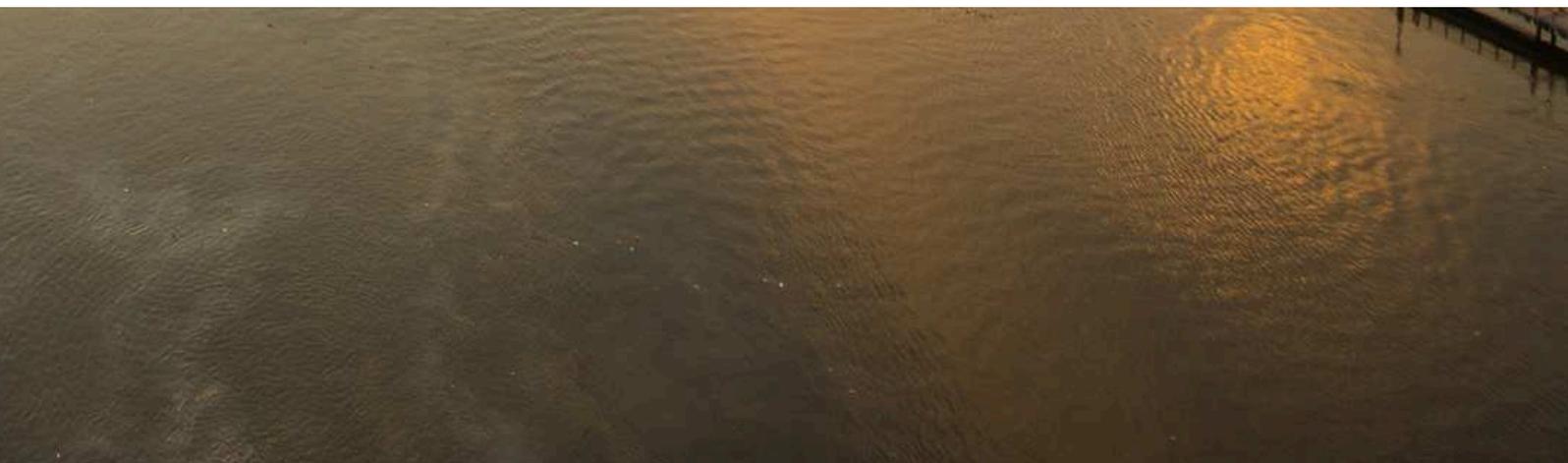
- **Digital ePASS:** Malaysia has replaced physical pass stickers with electronic permits for all categories, improving efficiency and security.
- **Enhanced EP Categories:** EP I, II, and III continue as the main framework, with clarified conditions since 2017.
- **Automated Processing:** Applications are now fully digital, streamlining approvals through the Expatriate Services Division (ESD) portal.
- **Compliance Rules:** A new 6-month cooling-off period for employers found in violation of expatriate hiring rules was introduced in July 2025.



Quick Insights: The Petronas Twin Towers in Kuala Lumpur were once the tallest buildings in the world and remain the tallest twin towers globally.



Cultural Tips



Professional Culture Insights

Understanding Malaysia's workplace culture helps foreign businesses navigate diverse settings and build stronger relationships.

Workplace Norms and Practices

- **Hierarchy & Respect:** Workplaces in Malaysia are generally hierarchical, with decision-making authority often concentrated at senior levels. Titles and honorifics carry weight, and showing deference to age and rank is expected.
- **Punctuality & Professionalism:** Being punctual is appreciated, though meetings may not always begin on time. Patience and flexibility are important, as relationship-building is often prioritised before business discussions.
- **Respect for Processes:** Government-related matters or larger corporations may involve multiple layers of approval, which can extend timelines. Private firms may operate with more efficiency, but consensus-building is still a common practice.

Communication Preferences

- **Polite & Indirect:** English is widely used in business, but communication often leans toward politeness and diplomacy. Direct refusals are rare. Instead, cues may be given indirectly, requiring attentive listening.
- **Diplomatic Feedback:** Criticism is typically delivered in a cautious and respectful manner to maintain harmony. Preserving good relationships is prioritised over blunt confrontation.

Multicultural Sensitivity

- **Diverse Workforce:** Malaysia's workforce is composed of Malay, Chinese, Indian, and indigenous communities. Respect for cultural and religious practices such as halal requirements, prayer times, or fasting during Ramadan is expected.
- **Inclusive Practices:** Employers often accommodate religious observances, festive leave, and flexible attire. Awareness of major cultural celebrations like Hari Raya, Chinese New Year, and Deepavali is essential when scheduling business activities.

Professional Culture Insights

Networking & Relationship-Building

- **Trust Through Relationships:** Personal rapport plays a central role in business dealings. Dinners, social gatherings, or informal conversations are common ways to build trust before formal negotiations.
- **Consensus-Orientated:** Decision-making may take time, as teams often seek group consensus rather than relying solely on individual authority.

Meetings & Negotiations

- **Flexible Timelines:** Meetings may begin with small talk before addressing the agenda. Building rapport is considered part of the negotiation process.
- **Hierarchy Matters:** While discussions may involve many participants, final approval usually rests with senior management or key decision-makers.

Work-Life Norms and Holiday Practices

- **Work Culture:** Work-life balance is increasingly valued, though long hours can still be common in high-demand sectors. Employers are generally understanding of family obligations and cultural commitments.
- **Holidays:** Malaysia recognises both national and state-specific public holidays. Business activity slows significantly during major festive periods, particularly Hari Raya, Chinese New Year, and Deepavali.

Business Attire: Business attire is typically smart and modest. Men often wear collared shirts and trousers, with jackets or ties reserved for formal occasions. Women wear conservative office wear such as blouses, skirts, or trousers. Lightweight fabrics are preferred due to Malaysia's tropical climate.

Social and Cultural Norms

An understanding of Malaysian cultural values and everyday customs helps foster stronger connections, both professionally and socially.

Interpersonal Etiquette

- Courtesy and humility are valued; smiles are key in social interaction.
- Avoid shaking hands with the opposite sex unless they initiate. A Malay greeting may involve a light touch followed by placing the hand over the chest.
- Elders and senior-ranking individuals should be greeted first, with titles such as "Encik", "Puan", or "Cik".
- Communication is often indirect; "yes" can mean acknowledgement, not agreement.

Social Customs and Everyday Behaviour

- Family plays a central role, with decisions often influenced by family responsibilities.
- Guests are warmly welcomed; politely accept food and drinks offered.
- Group harmony is important. Avoid confrontation and show humility.

Public Behaviour and Communication

- Modesty and patience are appreciated; confrontational behaviour is frowned upon.
- Pointing with the index finger is impolite. Use the thumb with folded fingers instead.
- Bahasa Malaysia is the national language, but English is widely used. Code-switching into "Manglish" is common.

Gift-Giving and Hospitality

- Gifts are appreciated but not expected. Avoid alcohol, pork, or dog motifs. Present gifts with both hands.
- Meals are central to relationship-building. Ensure food is halal when dining with Muslim counterparts. Eat with the right hand and wait for the host to start.

Religion and Beliefs

- Over 60% of Malaysians are Muslim. Practices like daily prayers and Ramadan influence work schedules.
- The country is religiously diverse, and respect for all faiths and practices is expected.

Social and Cultural Norms

Public Holidays and Observances

Malaysia observes a mix of national, religious, and cultural holidays.

Key holidays include:

- Hari Raya Aidilfitri (dates vary by lunar calendar)
- Chinese New Year (January or February)
- Deepavali (October or November)
- Thaipusam (January or February)
- Wesak Day (May)
- Gawai Dayak (June, Sarawak)
- Kaamatan Festival (May, Sabah)
- National Day (August 31)
- Malaysia Day (September 16)
- Christmas Day (December 25)

Business operations may slow or pause during these festive periods, particularly Hari Raya and Chinese New Year, when many employees travel to their hometowns.



Quick Insights: The country is one of the world's top exporters of palm oil and rubber, key drivers of its global trade presence.



Opportunities



High-Growth Industries and Sectors

Malaysia is positioning itself as a leading hub for advanced manufacturing, digital infrastructure, and sustainable growth. Strong government initiatives, regional integration, and rising foreign investment are driving momentum in the following priority sectors:

Electrical & Electronics (E&E)

- Accounts for more than 40% of Malaysia's exports, with semiconductors and advanced packaging leading growth.
- Strong demand from AI, electric vehicles, and consumer tech supports expansion.
- Government targets position Malaysia as a global semiconductor and GPU hub.

Digital Economy & Data Infrastructure

- Rapid expansion of hyperscale data centres, particularly in Johor, with capacity needs expected to surpass 5 GW by 2035.
- Major investments by Google, Microsoft, and ByteDance highlight Malaysia's role as a regional cloud and AI hub.
- Digital economy policies support growth in fintech, AI, and cybersecurity.

Construction & Infrastructure Development

- Industry projected to grow 6% in 2025, backed by RM58.8 billion worth of projects.
- Focus on industrial zones, transport networks, and urban development under NIMP 2030.
- Infrastructure growth supports long-term industrialisation and regional connectivity.

Green Energy & Renewables

- The National Energy Transition Roadmap targets 31% renewable capacity by 2025, rising to 70% by 2050.
- Large-scale solar and wind projects underway, including ACWA Power's 12.5 GW development.
- Incentives encourage private investment in sustainable power and green technology.

High-Growth Industries and Sectors

Special Economic Zones & Regional Integration

- The Johor-Singapore SEZ is catalysing high-value investment in AI, semiconductors, and logistics.
- Attractive corporate tax incentives and cross-border integration boost competitiveness.
- Participation in RCEP strengthens Malaysia's role in regional supply chains.

Tourism & Healthcare Services

- Tourism rebounded strongly post-pandemic, with the sector contributing significantly to GDP recovery.
- Medical tourism continues to attract international patients, especially from neighbouring ASEAN countries.
- Malaysia's mix of cultural, eco, and healthcare tourism is a key driver of service exports.



Government Initiatives and Incentives

Malaysia continues to attract investment through targeted incentives, tax reliefs, and national programmes focused on digitalisation, green transition, and high-value industries.

Investment Incentives & Tax Schemes

- Pioneer Status (PS): Up to 70% tax exemption on statutory income for five years for promoted activities.
- Investment Tax Allowance (ITA): 60% allowance on qualifying capital expenditure, offset against 70% of statutory income.
- Double Tax Deduction available for supply chain resilience and internationalisation initiatives.

High-Tech & Strategic Sectors

- Semiconductor Development Fund (2025): MYR 25 billion allocated to strengthen chip design, R&D, and advanced manufacturing.
- Smart Logistics Complex Incentive: Tax benefits for logistics hubs using AI, IoT, and automation.
- Digital Economy Programmes: Support for data centres, 5G rollout, AI, and cloud adoption.

Green Economy & Energy Transition

- National Energy Transition Roadmap (NETR): Targets 31% renewable energy by 2025, 70% by 2050.
- National Energy Transition Facility (NETF): Financing for solar, hydrogen, EV infrastructure, and carbon capture projects.
- Green Investment Tax Allowances (GITA) & Exemptions (GITE): Support for renewable energy and sustainable practices.

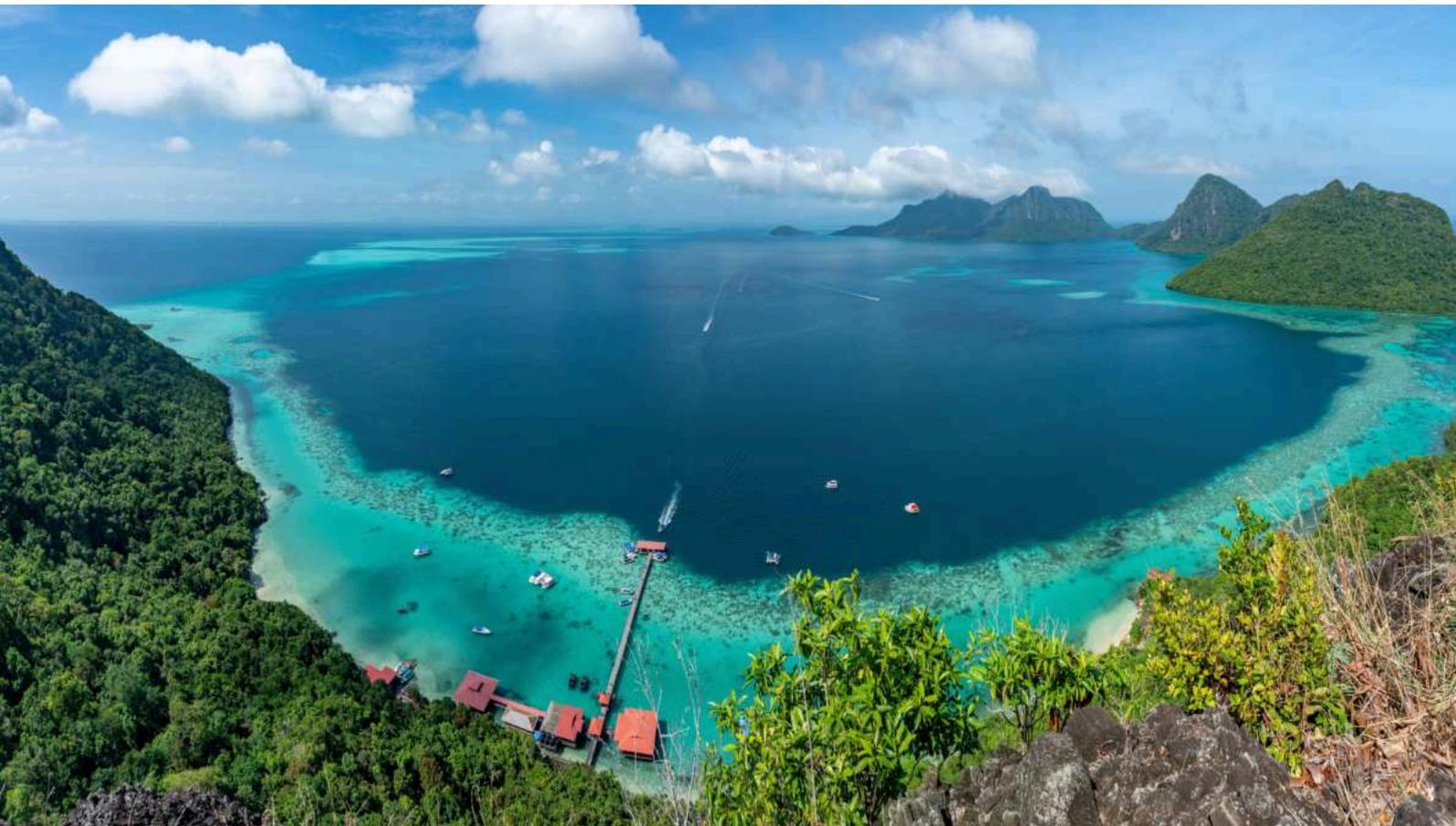
Government Initiatives and Incentives

Cross-Border & Regional Growth

- Johor–Singapore Special Economic Zone (JS-SEZ): Launched in 2025, offering tax breaks and streamlined processes for 50 targeted projects, aiming to create 20,000 skilled jobs.
- Special Incentive Packages for companies setting up regional headquarters or R&D hubs in Malaysia.

Infrastructure & Business Facilitation

- National Grid Upgrade (MYR 43 billion): Strengthening energy reliability and AI-ready infrastructure.
- Carbon Capture & Storage (CCS): Offshore projects supporting decarbonisation.
- PEMUDAH: Ongoing public-private task force simplifying regulations and improving the ease of doing business.



Emerging Trends and Business-Friendly Regions

Malaysia is strengthening its role as a regional hub for manufacturing, digital innovation, and sustainable development. New business trends and location-specific strategies are creating opportunities across key sectors.

Emerging Business Trends

AI and Digital Transformation

- Malaysia's Digital Economy Blueprint targets the digital economy contributing 25.5% of GDP by 2025, with current projections suggesting this target may be exceeded.
- Adoption of AI, cloud computing, and cybersecurity is accelerating across financial services, logistics, and healthcare.
- Government-backed programmes such as MyDIGITAL support SMEs and enterprises in their digital journey.

Green Energy and ESG

- The National Energy Transition Roadmap (2023–2050) is positioning Malaysia as a renewable energy hub.
- Large-scale solar, hydrogen, and electric vehicle projects are expanding with incentives for foreign investors.
- Growing ESG reporting standards and green finance opportunities are driving sustainable investment.

Semiconductors and Advanced Manufacturing

- Malaysia accounts for 13% of global chip testing and assembly, with Penang as a key hub.
- The government has pledged MYR 25 billion to boost semiconductor innovation and attract global tech giants.
- Expansion of high-value precision manufacturing and Industry 4.0 adoption is driving supply chain resilience.

Emerging Trends and Business-Friendly Regions

Cross-Border Trade and Supply Chain Resilience

- The Johor–Singapore Special Economic Zone (JS-SEZ), launched in 2025, enhances cross-border logistics and investment flows.
- Malaysia’s participation in regional trade pacts such as RCEP supports integration into global value chains.
- Upgrades to ports, airports, and digital customs systems strengthen trade competitiveness.

Tourism and Healthcare Growth

- Medical tourism, ecotourism, and halal tourism are emerging as growth drivers.
- Malaysia aims to position itself as a regional leader in healthcare services, supported by private sector investment.
- Infrastructure development and digital travel platforms are enhancing tourism experiences.

Business-Friendly Districts and Zones

Kuala Lumpur & Klang Valley

- The financial and commercial centre of Malaysia, home to MNCs, startups, and regional HQs.
- Strong infrastructure, talent availability, and diverse industries make it the country’s primary business hub.

Penang

- Nicknamed the “Silicon Valley of the East”, Penang leads in semiconductors, electronics, and precision manufacturing.
- Industrial parks and a skilled workforce continue to attract major foreign investment.

Johor

- Bordering Singapore, Johor is set to benefit significantly from the JS-SEZ.
- Sectors such as logistics, advanced manufacturing, and services are key areas of growth.

Emerging Trends and Business-Friendly Regions

Sabah & Sarawak

- Resource-rich states with growing opportunities in renewable energy, downstream oil & gas, and green industries.
- Government focus on digital infrastructure is improving connectivity and competitiveness.

Iskandar Malaysia

- A major economic corridor in Johor offering incentives for education, healthcare, logistics, and creative industries.
- Proximity to Singapore provides a cost-competitive base for regional operations.



Quick Insights: Malaysia is home to Taman Negara, one of the world's oldest tropical rainforests, estimated to be over 130 million years old.



Resources



Official Government Websites and Investment Agencies

- **Malaysian Investment Development Authority (MIDA)**

The main government agency for promoting and coordinating industrial development. It's the go-to authority for investment approvals, incentives, and guidance on setting up operations in Malaysia.

<https://www.mida.gov.my>

- **Malaysia External Trade Development Corporation (MATRADE)**

Supports businesses looking to expand into export markets. Provides trade promotion, export advisory services, and access to international trade fairs.

<https://www.matrade.gov.my>

- **Companies Commission of Malaysia (SSM)**

Handles company incorporation and business registration. A critical resource for any foreign business setting up legally in Malaysia.

<https://www.ssm.com.my>

- **Ministry of International Trade and Industry (MITI)**

Shapes Malaysia's trade, investment, and industry policies. Offers updates on free trade agreements, investment guidelines, and industrial strategies.

<https://www.miti.gov.my>

- **Malaysia Digital Economy Corporation (MDEC)**

Key driver of Malaysia's digital economy transformation. Oversees incentives and programmes for ICT, digital business, and tech innovation.

<https://mdec.my>

Industry Associations and Chambers of Commerce

- **Federation of Malaysian Manufacturers (FMM)**

The leading private-sector economic organisation representing manufacturers in Malaysia. Provides industry advocacy, networking, training, and trade facilitation.

<https://www.fmm.org.my>

- **Malaysian International Chamber of Commerce and Industry (MICCI)**

One of the oldest chambers in Malaysia, representing a wide range of multinational and local companies. Supports business networking, policy dialogue, and investment promotion.

<https://www.micci.com>

- **American Malaysian Chamber of Commerce (AMCHAM)**

Supports US businesses operating in Malaysia and fosters bilateral trade. Provides policy advocacy, networking opportunities, and market insights.

<https://amcham.com.my>

- **EU-Malaysia Chamber of Commerce and Industry (EUMCCI)**

Represents European businesses in Malaysia, promoting trade and investment. Offers advocacy, events, and advisory services for market entry.

<https://www.eumcci.com>

- **Malaysia-China Chamber of Commerce (MCCC)**

Promotes trade, investment, and cooperation between Malaysia and China. A key platform for businesses exploring cross-border opportunities in both markets.

<https://mccc.my>



Eos's Service Offerings in Malaysia

Eos Global Expansion helps businesses enter and scale in Malaysia by providing compliant, cost-effective workforce solutions. Whether you're hiring local employees, engaging contractors, or considering entity setup, Eos ensures your operations align with Malaysia's labour laws and business regulations.

Our Services Include:

- **Local Payroll & HR Administration**

Running compliant payroll in MYR, including EPF, SOCSO, and EIS contributions, statutory filings, and HR records for locally hired employees.

- **Contractor Engagement & Payments**

Onboarding and managing independent contractors with compliant agreements, timely local payments, and optional tax guidance.

- **Entity Setup & Local Employment Advisory**

Advising on establishing a Malaysian entity for direct hiring, including guidance on company registration, employment compliance, and HR best practices.

- **Visa & Immigration Support**

Supporting work permit applications and immigration processes for foreign employees, ensuring compliance with Malaysia's evolving regulatory landscape.

- **Regional Payroll & Consolidated Reporting**

Coordinating payroll and HR compliance across Malaysia and neighbouring Southeast Asian markets, with unified reporting for ease of management.

- **Ad Hoc Consulting**

Advising on workforce planning, compliance updates, government incentives, and operational setup tailored to the Malaysian market.

Partner with Eos for Success in Malaysia

Malaysia offers strong growth potential, with a diverse economy and strategic location in Southeast Asia. However, navigating local regulations and employment requirements can be complex. [Eos Global Expansion](#) makes it seamless. From payroll and compliance to visa support and contractor engagement, our team ensures your business expands with confidence and agility. [Connect with us](#) to learn how Eos makes business expansion in Malaysia seamless.



Expert Tips



Overcoming Common Challenges

Entering the Malaysian market offers strong potential, though businesses may face compliance, talent, and operational hurdles. Here are some expert tips to help you navigate effectively:

Stay Ahead on Compliance

Keep track of frequent updates such as the minimum wage increase to RM 1,700 (Feb 2025) and the requirement for EPF contributions for foreign employees (Oct 2025). Local expertise is essential to avoid penalties.

Embrace Cultural Diversity

Malaysia's workforce is highly diverse, with at least 11 public holidays and strong expectations for religious and cultural accommodation. Respect for hierarchy and harmony is central to workplace success.

Plan for Bureaucracy

Business processes can be time-consuming, with company registration taking 1–2 weeks and work permits 30–60 days. Advance planning helps prevent operational delays.

Compete for Top Talent

Demand for digital and semiconductor skills continues to outpace supply, with 60,000 engineers needed for industry expansion. Competitive pay, flexible work, and career growth remain key to retention.

Manage Currency Risks

The ringgit has shown volatility, ranging between RM 4.20 and RM 4.50 per USD in 2025. Hedging and robust payroll processes help reduce exposure.

Avoiding Potential Cultural Misunderstandings

Respect for Hierarchy

Business culture values seniority. Decisions are often made by top management, so show patience and respect in the process.

Indirect Communication

Malaysians prefer polite, indirect communication. Pay attention to tone and non-verbal cues to interpret meaning.

Greetings and Introductions

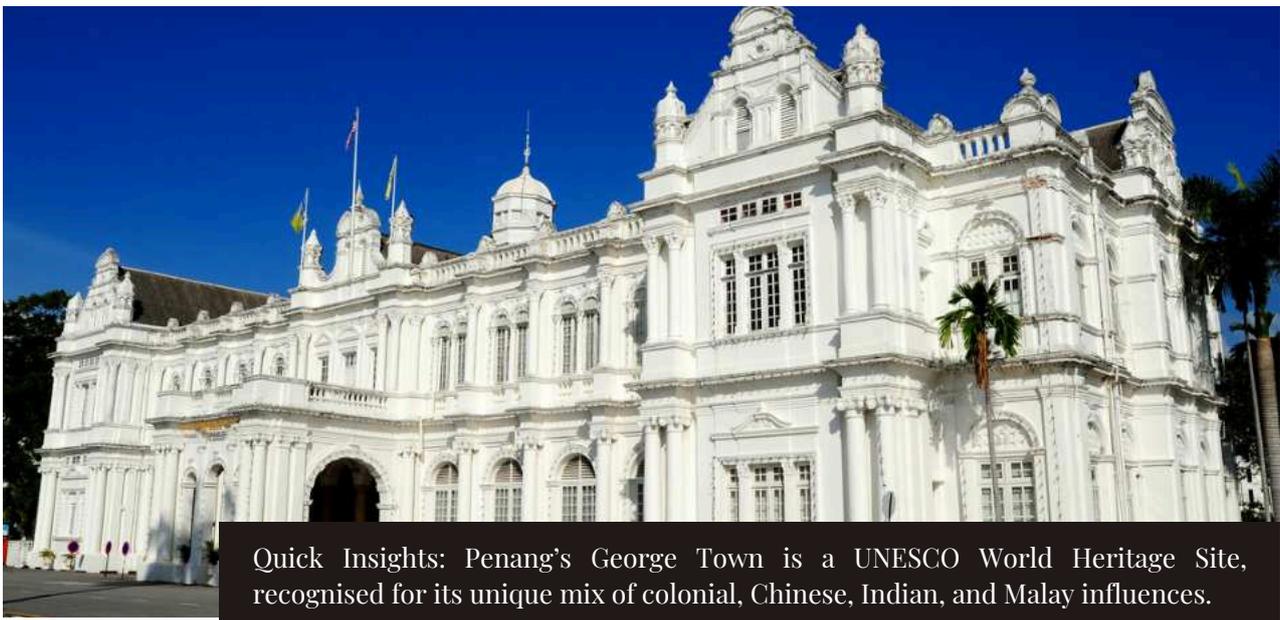
Handshakes are common, but with Muslims, avoid handshakes with the opposite sex. Always use titles and surnames unless invited otherwise.

Religious and Cultural Sensitivities

Malaysia is multicultural. Be mindful of halal requirements, avoid pork and alcohol, and respect religious practices and holidays.

Building Trust Before Business

Personal relationships often precede agreements. Small talk and genuine interest help build rapport and trust.



Quick Insights: Penang's George Town is a UNESCO World Heritage Site, recognised for its unique mix of colonial, Chinese, Indian, and Malay influences.

Additional Tips

Keep Company Records Updated

Any changes to your company's registered name, address, directors, or shareholders must be promptly filed with the Companies Commission of Malaysia (SSM) to remain compliant.

Check Sector-Specific Licence Needs

Industries such as finance, healthcare, education, and telecommunications require additional licences or approvals. Verify requirements with SSM or the relevant ministries early to avoid delays.

Register with EPF and SOCSO

If hiring Malaysian citizens or permanent residents, ensure timely registration with the Employees Provident Fund (EPF) and the Social Security Organisation (SOCSO) to meet statutory contribution obligations.

Use Clear Written Contracts

Always issue written agreements when hiring employees or engaging contractors. Contracts should clearly outline roles, payment terms, and working conditions to prevent disputes and ensure compliance.



Thank You for Exploring Malaysia!

We hope this guide helps you uncover Malaysia's business potential and rich cultural landscape. Whatever your next step, we're here to support you.



+86 1870 1887 560

inquiries@eosglobalexpansion.com

www.eosglobalexpansion.com



Ready to expand into Malaysia?
Scan the QR code to connect with our
experts and unlock tailored guidance for
your Malaysia expansion.

