

# GUIDELINES FOR APPLICATION FOR STATUS AND INCENTIVE FOR SETTING UP A TREASURY MANAGEMENT CENTRE (TMC)

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## 1. Introduction

The Government of Malaysia has introduced the Treasury Management Centre (TMC), an incentive scheme with the view to attract multinational corporations to choose Malaysia as a location for their TMC.

An approved TMC refers to a locally incorporated company that provides centralised treasury management services for its group of related companies within or outside the country.

## 2. Incentives

- i. An approved TMC will be given a 70% exemption of the following statutory income arising from treasury services rendered by treasury centres to its offices or related companies for a period of five (5) years :-
  - a. All fees / management income from providing qualifying services to related companies in Malaysia and overseas;
  - b. Interest income / finance income received from lending / financing to related companies in Malaysia and overseas;
  - c. Interest income / finance income / gains received from placement of funds with onshore banks or short term investment (*onshore and offshore*) as part of managing surplus funds within the group;
  - d. Realised foreign exchange revenue/gains/profits from managing risks for the group i.e. exchange rate risk, interest rate risk, benchmark rate risk, market risk, credit/counterparty risk, liquidity risk and commodity price risk;

- e. Premium/income discount/gains pursuant to subscription of bonds/sukuk issued by related companies and financial institutions; and
  - f. Guarantee fees
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- ii. Exemption from withholding tax on interest payments / profits on borrowings by the TMC from financial institutions and related companies provided the funds raised are used for the conduct of qualifying TMC activities;
  - iii. Full exemption from stamp duty on all loan / financing agreements and service agreements executed by treasury centres in Malaysia, used for the conduct of qualifying TMC activities;
  - iv. Expatriates working in a TMC are taxed only on the portion of their chargeable income attributable to the number of days that they are in Malaysia;
  - v. Foreign Exchange Administration (FEA) flexibilities; and
  - vi. No local equity conditions.

Income from qualifying services provided directly by a TMC to its related companies in Malaysia during its tax exempt period is exempted from tax provided such income does not exceed 20% of the TMC income from qualifying services.

### **3. Other Facility**

Other facility accorded to an approved TMC are as follows:

- Expatriate posts will be approved based on the requirements of the TMC.

#### **4. Eligibility Criteria**

To qualify as an approved TMC, the company must fulfill the following criteria:

- A company incorporated under the Companies Act 1965;
- A minimum paid-up capital of RM0.5 million;
- A minimum total operating expenditure (excluding interest expenditure related to funding activities of the TMC and depreciation) of RM1.5 million incurred domestically per year of assessment;
- Appoint at least 3 senior professionals to work under the TMC;
- Provide qualifying treasury services to at least 3 related companies outside Malaysia;

#### **5. Treasury Services / Qualifying activities**

##### **i. Cash, Financing and Debt Management**

- a) Cash pooling arrangement through a centralised account with a licensed onshore bank
- b) Providing financing sourced from surplus funds within the group or financial institutions in Malaysia to:
  - ✓ a related company in Malaysia in ringgit or foreign currency;
  - ✓ a related company overseas-
    - in foreign currency for any purpose; and
    - in ringgit for use in Malaysia
- c) Arranging for competitive financing sourced from-
  - ✓ surplus funds from within the group;
  - ✓ financial institutions in Malaysia; or
  - ✓ the issuance of bonds/sukuk in ringgit or foreign currency

d) Providing or arranging for financial and non-financial guarantee for its group of companies.

e) Current account management

- ✓ Managing account payables and receivables;
- ✓ Maintaining inter-company offsetting arrangement.

**ii. Investment services**

Investing funds within the group in domestic money market and in foreign currency assets onshore and offshore

**iii. Financial risk management**

Hedging of –

- ✓ Exchange rate risk
- ✓ Interest rate risk/benchmark rate risk
- ✓ Market risk;
- ✓ Credit/counterparty risk ;
- ✓ Liquidity risk;
- ✓ Commodity price risk.

**6. Procedure for Application:**

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

Chief Executive Officer  
Malaysian Investment Development Authority  
Logistics and Regional Operations Division  
MIDA Sentral, No. 5  
Jalan Stesen Sentral 5  
Kuala Lumpur Sentral  
50470 Kuala Lumpur

- The following documents (where applicable) should be submitted together with the application:
  - Certificate of Incorporation
  - Form 24 (return of Allotment of Shares)
  - Form 49 (Particulars of Directors)

- Latest Annual Report of the company
  - A copy of the Group's Corporate Structure
  - A copy of the TMC corporate structure
  - A copy of manufacturing license / other approvals of affiliated/related company
  - Other relevant information that can support company's application such as company profile as appendix in the application form
- Details on the expatriate posts applied for should be submitted using the format attached as the appendix in the application form.
  - For project in Sabah and Sarawak, **three (3) copies** of the form should also be submitted to the relevant MIDA office as follows:

**Sabah**

**Director**

MIDA Sabah Office  
 Lot D9.4 & 9.5  
 9<sup>th</sup> Floor, Block D, Bangunan KWSP  
 Karamuning  
 88100 Kota Kinabalu  
 Sabah, Malaysia

**Sarawak**

**Director**

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

- For enquiries and clarification, please refer to:-

MIDA's website : [www.mida.gov.my](http://www.mida.gov.my)  
 Tel : (603)2267-3633  
 Fax : (603)2273-4216  
 E-mail : [investmalaysia@mida.gov.my](mailto:investmalaysia@mida.gov.my)