

GUIDELINES FOR APPLYING FOR INCENTIVES FOR OPERATIONAL HEADQUARTERS (OHQ)

1. DEFINITION

An approved Operational Headquarters (OHQ) refers to a locally incorporated company which carries on a business in Malaysia, providing Qualifying Services to its offices or to its related companies outside Malaysia. The OHQ is prohibited from providing treasury and fund management services and corporate financial advisory services to non-related companies in Malaysia. An approved OHQ set up by a financial institution is also prohibited from providing treasury and fund management services to its related companies in Malaysia unless when the related companies are institutions licensed under Banking and Financial Act 1989 (BAFIA).

2. ELIGIBILITY CRITERIA

- Local incorporation under the Companies Act, 1965;
- A minimum paid-up capital of RM0.5 million
- A minimum total business spending (operating expenditure) of RM1.5 million per year
- Carry out a minimum of 3 of the qualifying services as listed in para 3 of page2
- Appoint at least 3 senior professional/management personnel
- Serve at least 3 related companies outside Malaysia
- A sizeable network of companies outside Malaysia which includes the parent company or its head office and related companies
- A well-established network of companies with significant asset acquisition and substantial employment of qualified professionals, technical and supporting personnel.

3. QUALIFYING SERVICES

The qualifying services to be provided by an approved OHQ are as follows:

- i. General management and administration
- ii. Business planning and coordination
- iii. Procurement of raw materials, components and finished products
- iv. Technical support and maintenance
- v. Marketing control and sales promotion planning

- vi. Data/information management and processing
- vii. Treasury and fund management services to its offices or related companies outside Malaysia as shown in Appendix A
- viii. Corporate financial advisory services to its offices or related companies outside Malaysia as shown in Appendix A
- ix. Research and development work carried out in Malaysia on behalf of its offices or related companies outside Malaysia
- x. Training and personnel management to its offices or related companies outside Malaysia

4. INCENTIVES

(a) Tax Incentives

- i. An approved Operational Headquarters will be exempted from income tax for a period of 10 years from the following sources of income:
 - Business Income

Income arising from services rendered by an OHQ company to its offices or related companies outside Malaysia.
 - Interest

Income derived from interest on foreign currency loans extended by an OHQ to its offices or related companies outside Malaysia.
 - Royalties

Royalties received from research and development work carried out in Malaysia by an OHQ on behalf of its offices or related companies outside Malaysia.
- ii. Expatriates working in OHQ are taxed only on that portion of chargeable income attributable to the number of days they are in the country.

(b) Other Facilities Accorded For An Approved OHQ

- i. Expatriate posts will be approved based on requirements of the OHQ.
- ii. Obtain credit facilities in foreign currency without the approval of Bank Negara Malaysia (BNM), from any licensed commercial banks and merchant banks in Malaysia, including the licensed offshore banks in Labuan and any non residents to fund their treasury and fund management operations for their related companies outside Malaysia. The OHQ is not allowed to lend or raise funds in any currency on behalf of any resident.
- iii. Borrow freely in ringgit up to RM10 million from domestic sources for use in Malaysia.
- iv. Invest freely in foreign securities and lend to related companies outside Malaysia even if they have obtained domestic borrowing, as long as the domestic borrowing in ringgit is within RM10 million limit and the remittances are made in foreign currency equivalent.
- v. Open one foreign currency account or one multi currency account with any of the designated banks to retain export proceeds in foreign currency subject to a limit and conditions specified from time to time by BNM.
- vi. Open one or more foreign currency accounts with designated banks in Malaysia, the licensed offshore banks in Labuan or overseas banks for crediting foreign currency receivables other than export proceeds with no limit on the overnight balances.
- vii. Use professional services of a foreign firm provided that such services are not available locally.
- viii. A foreign-owned OHQ is allowed to acquire fixed assets as long as it is used for the purpose of carrying out the operations of the OHQ.

5. PROCEDURE FOR APPLICATION

- 5.1 Application forms can be obtained from the Malaysian Industrial Development Authority (MIDA). Completed Application Form should be submitted in three (3) copies to the following address:

Director General
Malaysian Industrial Development Authority
Manufacturing Services Division
1st floor, Plaza Sentral
Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur

Tel: (603) 2267 3633

Fax: (603) 2273 4216

E-mail: services@mida.gov.my

Website: www.mida.gov.my

- 5.2 Application should be submitted together with the following documents:

- Details on expatriate posts applied, using appendix 1 format of the application form
- Company's annual report and certificate of incorporation

APPENDIX A

TREASURY AND FUND MANAGEMENT SERVICES

The permissible activities of treasury and fund management services are as follows:

- Providing credit facilities for related companies outside Malaysia in currencies other than Malaysian ringgit;
- Transacting or investing in stocks and share denominated in any currency other than ringgit, and of companies not incorporated nor resident in Malaysia;
- Transacting or investing in securities other than stocks and shares denominated in any currency other than ringgit (including bonds, notes, certificates of deposit and treasury bills) issued by foreign governments, foreign banks outside Malaysia, and companies which are neither incorporated nor resident in Malaysia;
- Transacting or investing in certificates of deposit, notes and bonds, denominated in any currency other than ringgit, issued by any offshore bank in Labuan;
- Investing in foreign currency deposits with Designated Banks in Malaysia or with offshore banks in Labuan;
- Foreign exchange transactions for hedging purposes only, through authorized dealers, and only in foreign currencies (not Ringgit) with licensed offshore banks in Labuan;
- Transactions involving interest rate/currency swaps for hedging purposes only, through authorized dealers and only in foreign currencies (not Ringgit) with licensed offshore banks in Labuan;
- Transactions in financial futures contracts or options for hedging purposes only, with a member of any exchange approved by the Central Bank.

The above treasury and fund management services are allowed provided that the funds for carrying out the treasury and fund management activities are denominated in foreign currency other than the ringgit and are obtained through:

- Borrowing from authorized banks in Malaysia and offshore banks in Labuan;

- Its paid-up capital;
- Its accumulated profits derived from qualifying activities;
- The accumulated profits of its offices; and
- Borrowing from outside Malaysia.

The OHQs set up by financial institutions are prohibited to provide treasury and fund management services to their related companies in Malaysia, unless the related companies are institutions licensed under BAFIA.

CORPORATE FINANCIAL ADVISORY SERVICES

The permissible activities of corporate financial advisory services are as follows:

- Provision of corporate financial advisory services;
- Provision of credit administration denominated in currencies other than the ringgit for related companies;
- Arrangement of credit facilities denominated in currencies other than the ringgit for related companies;
- Arrangement of interest rate or currency swaps in currencies other than ringgit;
- An OHQ may take over claims held by related companies even from third parties outside Malaysia at a discounted price (factoring);
- All products and services which related companies invoice to each other can be re invoiced by the OHQ (re invoicing);
- Netting of payments, other than the export proceed for goods exported from Malaysia, among the related companies vis-à-vis OHQ is freely allowed;
- An OHQ may purchase machinery, equipment or real estate belonging to related companies with a view to lease it back to the same related companies (sales and lease back arrangements).

The OHQs are prohibited from providing treasury and fund management services and corporate financial advisory services to non-related companies in Malaysia.

Further, OHQs set up by financial institutions are also prohibited from providing treasury and fund management services to related companies in Malaysia, unless the related companies in Malaysia are institutions licensed under BAFIA.

APPLICATION FOR OPERATIONAL HEADQUARTERS INCENTIVE (OHQ)

PART I: PARTICULARS OF PARENT COMPANY (CORPORATE HEADQUARTERS)

1. Name : _____
2. Address : _____

3. Country Incorporated : _____
4. Main Products/Services : _____
5. Number of Subsidiaries/Associated Companies : _____
6. Equity Structure of parent Company (Details to be provided in a separate sheet of paper if space provided is inadequate) :

Parent Company	Equity (%)	Capitalized Value (US\$)

Note : Please provide a diagrammatic presentation of network of companies.

7. Sales Turnover of parent company for current year in value terms : _____

PART II: INFORMATION ON OHQ COMPANY

A. PROPOSED OPERATION IN MALAYSIA

1. Name : _____

2. Address : _____

3. Tel No : _____

4. Fax No : _____

5. Date of Incorporation : _____

6. Certificate incorporation No : _____

(Please submit a certifies copy)

7. Sector to be served by OHQ (Please tick where applicable):

Manufacturing

Construction

Services

Mining

Agriculture

Other (please specify):

8. Type of Activity :

(i) _____

(ii) _____

(iii) _____

(iv) _____

9. Type of Qualifying Services Provided :

(i) _____

(ii) _____

(iii) _____

(iv) _____

10. Authorised Capital : RM _____
(if applicable)11. Paid-up Capital : RM _____
(if applicable)

12. Equity Structure :

(a) Local : _____ (%)

(b) Foreign : _____ (%)

13. List of Subsidiaries / Associated / related Companies from which the OHQ Company will receive income (Details to be provided a separate sheet of paper if space is inadequate) :

Name of Company (Subsidiary/ Associated Companies)	Location (Country)	% Of Equity Held	Capitalised Value (RM)	Nature of Business	Estimated Income receivable by OHQ (e.g. Dividend, interest, royalty management fees etc.)

14. Sales and Finance Information of OHQ Company for last 3 years (If relocating to Malaysia).

Year	Total Sales Turnover/ Income (RM)	Total Operating expenses (RM)	Profit Before Tax (RM)	Profit After Tax (RM)	Export Sales (%)

B. SOURCES OF INCOME

1. Income Remitted for OHQ services rendered.

Type of Income	Estimated Amount To Be Remitted to OHQ Over Next 3 years (RM)			Amount (RM)		
	Year 1	Year 2	Year 3	Held in Malaysia as Reserves	Remitted to Parent Company	Reinvested in Malaysia
Dividend						
Royalty						
Interest						
Management						
Others						
TOTAL						

2. Proposed Business Spending

	Year (RM)		
Item of Expenditure	Year 1	Year 2	Year 3
Manpower Cost : Local Foreign			
Rental Cost			
Capital Cost : Building Office Equipment and Fixtures			
Other Costs : (please specify)			
TOTAL			

3. Estimated Sales Turnover

	Year (RM)		
Sales Turnover	Year 1	Year 2	Year 3

4. Employment Structure

Category	Malaysian	Foreign	TOTAL
1. Top Management			
2. Senior Management in: <ul style="list-style-type: none"> - Marketing - Treasury / Finance - Product / Development - Personnel - Purchasing General Administration 			
3. Professional / Technical / Skilled / Specialist Staff			
SUB-TOTAL			
4. Executive (Sales / Administration / Operation)			
5. Supervisory Staff			
6. Supporting Staff			
SUB-TOTAL			
GRAND TOTAL			

PART III: NUMBER OF R&D EMPLOYEES FOR OHQ IN MALAYSIA
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A. DEGREE GRADUATES

Discipline	Year 1	Year 3	Year 5
1. Civil Engineering			
2. Electrical Engineering			
3. Electronics Engineering			
4. Mechanical Engineering			
5. Chemical Engineering			
6. Industrial & Production Engineer			
7. Other Engineers e.g. Aeronautica, Marine, etc. (Please specify)			
8. Science Graduates (Please specify discipline, if possible)			
9. Accountant			
10. Lawyers			
11. Computer professionals (Please specify Specialisation, if possible)			
12. Others (Please specify) _____ _____			

A. TECHNICIANS

(general graduates from polytechnics or equivalent institutions)

Discipline	Year 1	Year 3	Year 5
1. Computer Programmers			
2. Chemist & Laboratory			
3. Civil Engineering			
4. Electrical Engineering			
5. Electronics Engineering			
6. Mechanical Engineering			
7. Chemical Engineering			
8. Industrial and production Engineering			
9. Other technicians e.g. Software Engineering, Construction			

C. CRAFTSMEN

(General graduates from vocation institutes)

Discipline	Year 1	Year 3	Year 5
1. Electrical & Electronics Engineering			
2. Mechanical Engineering			
3. Precision Machining & Tool & Die Making			
4. Maintenance (Please specify discipline)			
5. Marine Engineering			
6. Other craftsman e.g. woodbased, printing, Architectural, automotive, dress-making, Welding etc.			

PART IV: OTHERS INFORMATION

1. Please provide the names of:

(a) Accountant/Financial Advisor :

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(b) Banker(s) :

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(c) lawyer(s) :

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2. Expected date of OHQ registration/establishment :

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3. Contact person for further clarification :

Name :

.....

Telephone :

.....

Address :

.....

I here declare that the information provided in the application form and the supporting documents attached in this application are true.

Signature of Company Representative _____ Date
NAME (IN BLOCK LETTERS) :
DESIGNATION :
Company Stamp :

EXPATRIATE POST APPLICATION

(Post No: _____)

1. Designation : _____

2. Experience : _____

3. Job Function (please provide details) : _____

4. Justification for Application : _____



(Note: Please attach an organization chart of the OHQ indicating the post applied for.)