



Malaysian Investment Development Authority

Logistics &
Regional Operations Division

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Definition : Treasury Management Center (TMC)

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

Treasury Services / Qualifying Services

A) Cash, Financing and Debt Management

B) Investment Services

C) Financial Risk Management

Treasury Services / Qualifying Services

A) Cash, Financing and Debt Management

- i. Cash pooling arrangement through a centralised account with a licensed onshore bank**
- ii. Providing financing sourced from surplus funds within the group or financial institutions in Malaysia to:**
 - a related company in Malaysia in Ringgit or in foreign currency;
 - a related company overseas –
 - In foreign currency for any purposed; and
 - In Ringgit for use in Malaysia

Treasury Services / Qualifying Services (cont)

A) Cash, Financing and Debt Management (cont)

- iii. 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
- iv. Providing or arranging for financial and non-financial guarantee for its group of companies**
- v. Current account management:**
 - Managing account payables and receivables; and
 - Maintaining inter-company offsetting arrangement

Treasury Services / Qualifying Services (cont)

B) Investment Services

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

Treasury Services / Qualifying Services (cont)

C) Financial Risk Management

Hedging of –

- Exchange rate risk
- Interest rate risk / benchmark rate risk
- Market risk
- Credit / counterparty risk
- Liquidity risk
- Commodity price list

Eligibility Criteria

1. A **company locally** incorporated under the Companies Act 1965
2. A minimum **paid-up capital** of **RM0.5 million**
3. A minimum **total operating expenditure*** of **RM1.5 million** incurred **domestically** per year of assessment.

* excluding:

- i. interest expenditure related to funding activities of the TMC; and
- ii. depreciation

Eligibility Criteria (cont)

4. Appoint at least **3 senior professionals** to work under the TMC
5. **Provide** qualifying treasury services to at least **3 related companies outside** Malaysia

Incentives for TMC

1. **70% exemption** on statutory income for **a period of 5 years**
2. **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
3. **Full exemption from stamp duty on all loan / financing agreements and service agreements** executed by treasury centers in Malaysia, used for the conduct of qualifying TMC activities
4. **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**

Incentives for TMC

5. **Foreign Exchange Administration (FEA) flexibilities**

Foreign exchange administration (FEA) flexibilities will be accorded to eligible companies to fully facilitate treasury management services. The FEA flexibilities will be granted based on the modality and transactions to be undertaken by the TMC.

- The FEA flexibilities that can be granted include:
- Foreign currency borrowing and lending;
- Investment in foreign currency assets;
- Payment between residents in foreign currency;
- Hedging; and
- Netting/offsetting arrangement.

6. **No local equity conditions**

Exempted Income

1. The following statutory income :
 - 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**

Exempted Income(cont)

- d. **Realised foreign currency exchanged revenue / gains / profits** from managing risks for the group
- e. **Premium / income / discount / gains pursuant to subscription of bonds / sukuk** issued by related companies and financial institution; and
- f. **Guarantee fees**

Exempted Income (cont)

- 5. **Foreign Exchange Administration (FEA) flexibilities**
- 6. **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.

Thank you



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