

**GUIDELINES ON  
FOREIGN PARTICIPATION IN THE  
DISTRIBUTIVE TRADE SERVICES  
MALAYSIA**



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## **Policy on Foreign Participation in Distributive Trade**

### **INTRODUCTION**

The significant growth of the economy has provided business opportunities and created various investment prospects for the last six years since 1999. Malaysia's Gross Domestic Product is recorded at 13.5% at current price in 2004. This figure has expanded at double digit growth between 1999 and 2004. The wholesale and retail trade, hotels and restaurants subsector's contribution to the Gross Domestic Product (GDP) has increased from 12.75% in 1996 to 13.07% in 2004. This subsector has contributed to the national economy growth at the average of 13.32% for nine consecutive years since 1996. Employment in the wholesale and retail subsector is recorded at 1.59 million or 16.13% of the total workforce in 2003. The growth in distributive trade is visible with the emergence of modern and large departmental stores and shopping complexes, hypermarkets and warehouse stores, not only in the city centres but also in the suburbs, particularly near urban residential areas.

2. Distributive trade sector is currently experiencing marked changes following the participation of foreign nationals/corporations. These large multinational corporations have made their presence felt through new business formats together with new management and marketing techniques, like cash and carry operations, mail order, electronic commerce, home shopping/telemarketing systems, the convenience and relative comfort of family shopping, entertainment and dining under one roof.

#### **Objectives**

3. The objectives of the policy are as follows:-
- (a) to ensure an orderly and fair development of the industry, including the interest of local traders;
  - (b) to streamline the industry with the national objective of increasing Bumiputera participation in the economic sector, in line with the National Development Policy of a balanced and equitable ownership and control of private investments; and
  - (c) to encourage the modernisation and increase the efficiency of the industry and its continued contribution to the growth of the economy.

## **DISTRIBUTIVE TRADE**

Distributive trade comprises all linkage activities that channel goods and services down the supply chain to intermediaries for resale or to final buyers.

The linkages may be :

- direct or indirect between 2 parties (or levels) or more than 2 parties (or levels) within the chain;
- real physical processes or electronic transactions as defined under the relevant laws;
- In person or electronic transactions as defined under the relevant laws; and
- transactions that may or may not involve transference of title of ownership to the goods and services.

Distributive traders include wholesalers, retailers, franchise practitioners, direct sellers, product manufacturers, suppliers, who channel their goods in the domestic market, and commission agents or other representatives including those of international trading companies of all nationalities.

(Products and services governed by other Acts: petroleum products, pharmaceutical, medicinal and orthopaedic products, toxic substances and explosives, arms, ammunitions, agricultural raw materials and live animals are subject to other acts and regulations for specific reasons).

## **ADMINISTRATIVE CONDITIONS**

With effect from **1 December 2004**, all proposals for foreign involvement in distributive trade must obtain the approval of the Committee on Distributive Trade. This includes the opening of new branches and relocation, expansion of existing branch/outlet, buying over/taking over of outlets of other operators, purchase of land, premise and assets prior obtaining the approval / license from the local authority to operate distributive trade activities.

Notwithstanding the above, any approval under the repealed guidelines shall continue in force and have effect as if it had been made under these guidelines.

All distributive trade companies with foreign equity shall :

- (a) appoint Bumiputera director/directors;
- (b) hire personnel at all levels including management to reflect the racial composition of the Malaysian population;
- (c) to increase the utilisation of local airports and ports in the export and import of the goods;
- (d) to utilise local companies for legal and other professional services which are available in Malaysia;
- (e) submit an annual financial report to the Ministry of Domestic Trade and Consumer Affairs; and
- (f) to abide with all Local Authorities by laws and regulations.

All existing business operators are not allowed to open a new branch unless it has fulfilled the requirement of 30% Bumiputera ownership in the company's equity structure.

*For purposes of this guideline in the distributive trade, the terms, rules and conditions used are defined and stated as below:-*

## **WHOLESALE TRADE**

The sale or resale of new and/or used goods and services to other distributors who purchase for the purpose of conducting their organisation's business.

## **RETAIL TRADE**

The sale or resale of new and/or used goods and services to general public for final consumption (may include sale and resale of fast consumable goods to organisational buyers who purchase for the purpose of conducting their organization's business where no clear distinction between final and business consumption is possible).

# HYPERMARKET

## **Definition**

A self-service distribution store with sales floor area of 5,000 square meters or more, selling a very wide variety of mainly consumer goods, comprising a mix of food and non-food products, in a range of transaction sizes or quantities and in different forms of packaging.

## **Incorporation, Capital and Equity Structure Conditions**

Any foreign involvement in hypermarket is subject to the following rules and conditions:

- **Local Incorporation**

All hypermarket businesses with foreign equity must be incorporated locally under the Companies Act 1965. This condition applies also to existing businesses operating under foreign branches.

- **Minimum Capital Requirement**

Minimum capital investment in terms of a company's shareholders funds, which include paid-up capital and reserves, is as follows:

**RM 50 million for hypermarkets (review every 3 years). Paid up capital of RM 10 million for each additional outlet.**

Businesses already approved by FIC must also comply with this condition unless they are specifically exempted.

- **Equity Structure**

As already announced by FIC, this guideline adopts the FIC ruling that sets at least 30% of equity for Bumiputeras for all foreign direct investments. This also applies to existing operations that have not been referred to FIC. A reasonable grace period for compliance would be given, depending on the merit of each case.

Decisions already made by FIC in respect of equity as well as terms and conditions imposed that are more liberal to (or favour) the investor would remain applicable.

## **Operational Conditions:**

- Indicative plans for additional branches of hypermarkets need to be submitted to KPDN & HEP 2 years before an application is to be considered.
- Entry condition:
  - ❖ 5000 square meter & above sales floor area
- On-going condition:
  - ❖ Addition of branch is subject to approval of KPDN & HEP.
  - ❖ Approval from KPDN & HEP must be obtained for any reduction or increase of sales floor area.
  - ❖ One check out counter per 1,000 sq.m. business floor area.
  - ❖ Allowed only on freestanding basis with basic amenities on outskirts of towns.
  - ❖ Hypermarket is not allowed to operate 24 hours.
  - ❖ Sell at least 30% of goods/products manufactured by Bumiputera SMI in their premises.
  - ❖ Provide at least 30% of shelf space in their premises for goods/products manufactured/ supplied by Bumiputeras.
  - ❖ Formulate and provide clear rules and criteria for suppliers to market their products/goods.

## **Environment and Public Interest Conditions:**

- Follow existing laws regarding provision of car parks for commercial areas according to respective local authorities or Town Councils, subject to a minimum of 50 parking lots per 1000 sq.m. business floor area, or whichever is higher.
- Provide business space for ancillary businesses at a reasonable rental rate.
- Not allowed to operate within 3.5 km radius of residential areas and town centres.
- One hypermarket allowed for every 350,000 residents.

Business floor area : The total area of the building / premise / outlet

Sales floor area : The business floor area excluding the warehouse / backroom / storeroom, food court and office.

- Hypermarket is not allowed to be constructed in locations under the jurisdiction of Local Authorities that have less than 350,000 residents.
- Impact study on existing retail businesses should be carried out before the opening of a hypermarket is considered.
- Hypermarket operators should ensure a safe and clean environment (garbage disposal, recycling facilities, etc.) as well as efficient use of energy.
- Application to establish hypermarkets and branches must be submitted to the Distributive Trade Committee.

## DEPARTMENTAL STORE

### Definition

A distribution store with sales floor area of varying sizes, usually engaged in retailing an extensive assortment of consumer goods that are departmentalized by gender, age or lifestyle, through self-service or with sales assistance, generally under one common store management. A departmental store may include a supermarket **of not more than 2,000 sq.m.**

### Incorporation, Capital and Equity Structure Conditions

Any foreign involvement in departmental store is subject to the following rules and conditions:

- **Local Incorporation**

All departmental store businesses with foreign equity must be incorporated locally under the Companies Act 1965. This condition applies also to existing businesses operating under foreign branches.

- **Minimum Capital Requirement**

Minimum capital investment in terms of a company's shareholders funds, which include paid-up capital and reserves, is as follows:

RM 20 million for departmental stores **(review every 3 years). Paid up capital of RM 10 million for each additional outlet.**

Businesses already approved by FIC must also comply with this condition unless they are specifically exempted.

- **Equity Structure**

As already announced by FIC, this guideline adopts the FIC ruling that sets at least 30% of equity for Bumiputeras for all foreign direct investments. This also applies to existing operations that have not been referred to FIC. A reasonable grace period for compliance would be given, depending on the merit of each case.

Decisions already made by FIC in respect of equity as well as terms and conditions imposed that are more liberal to (or favour) the investor would remain applicable.

## **Operational Conditions**

- Indicative plans for additional branches of departmental stores need to be submitted to KPDN & HEP 2 years before an application is to be considered.
- On-going condition:
  - ❖ Addition of branch is subject to approval of KPDN & HEP.
  - ❖ Approval from KPDN & HEP must be obtained for any reduction or increase of sales floor area.
  - ❖ Departmental store with supermarket is not allowed to operate 24 hours.
  - ❖ Sell at least 30% of goods/products manufactured by Bumiputera SMI in their premises.
  - ❖ Provide at least 30% of shelf space in their premises for goods/products manufactured/ supplied by Bumiputeras.
  - ❖ Formulate and provide clear rules and criteria for suppliers to market their products/goods.

## **Environment and Public Interest Conditions**

- Impact study on existing retail businesses should be carried out if a departmental store is to be operational in a stand alone building or if the sales floor area is not less than 5,000 square meters.
- Departmental stores operators should ensure a safe and clean environment (garbage disposal, recycling facilities, etc.) as well as efficient use of energy.
- Application to establish departmental stores and branches must be submitted to the Distributive Trade Committee.

# SUPERSTORE

## **Definition**

A self-service distribution store with sales floor area of **2,000 square meters to less than 4,500 square meters** retailing a wide variety of mainly consumer goods, comprising a mix of food and non-food products.

## **Incorporation, Capital and Equity Structure Conditions**

Any foreign involvement in superstore is subject to the following rules and conditions:

- **Local Incorporation**

All superstore businesses with foreign equity must be incorporated locally under the Companies Act 1965. This condition applies also to existing businesses operating under foreign branches.

- **Minimum Capital Requirements**

Minimum capital investment in terms of a company's shareholders funds, which include paid-up capital and reserves, is as follows:

RM 25 million for superstores : **(review every 3 years). Paid up capital of RM 5 million for each additional outlet.**

Businesses already approved by FIC must also comply with this condition unless they are specifically exempted.

- **Equity Structure**

As already announced by FIC, this guideline adopts the FIC ruling that sets at least 30% of equity for Bumiputeras for all foreign direct investments. This also applies to existing operations that have not been referred to FIC. A reasonable grace period for compliance would be given, depending on the merit of each case.

Decisions already made by FIC in respect of equity as well as terms and conditions imposed that are more liberal to (or favour) the investor would remain applicable.

## **Operational Conditions:**

- Entry condition:
  - ❖ 2,000 square meters to less than 4,500 square meter sales floor area
- On-going condition:
  - ❖ Addition of branch is subject to approval of KPDN & HEP.
  - ❖ Approval from KPDN & HEP must be obtained for any reduction and increase of sales floor area.
  - ❖ One check out counter per 1,000 sq.m. business floor area.
  - ❖ Superstore is not allowed to operate 24 hours.
  - ❖ Sell at least 30% of goods/products manufactured by Bumiputera SMI in their premises.
  - ❖ Provide at least 30% of shelf space in their premises for goods/products manufactured/ supplied by Bumiputeras.
  - ❖ Formulate and provide clear rules and criteria for suppliers to market their products/goods.

## **Environment and Public Interest Conditions:**

- Follow existing laws regarding provision of car parks for commercial areas according to respective local authorities or Town Councils, subject to a minimum of 50 parking lots per 1000 sq.m. business floor area, or whichever is higher.
- Provide business space for ancillary businesses at a reasonable rental rate.
- Not allowed to operate within 3.5 km radius of residential areas and town centres.
- One superstore allowed for every 250,000 residents.
- Impact study on existing local retailers should be carried out before the opening of a superstore is considered.
- Superstore operators should ensure a safe and clean environment (garbage disposal, recycling facilities, etc.) as well as efficient use of energy.
- Application to establish superstores and branches must be submitted to the Distributive Trade Committee.

## **SPECIALTY STORE**

### **Definition**

Stores dealing with one main brand name / product / line of goods associated with one product. They may specialise on :-

- ❖ food catering and restaurant services outside hotel premises;
- ❖ food-drink-tobacco (e.g. food and beverages);
- ❖ household/personal goods (e.g. furniture, household electrical appliances, healthcare products, optical goods, footwear, clothing and apparel, sports goods, books, jewellery, spices, electronic goods, etc);
- ❖ motorcycles-motor vehicles;
- ❖ small machinery (e.g. industrial, agricultural equipment for small users)
- ❖ pharmacy (retails mainly drugs, health and beauty care goods);
- ❖ electronic wholesaler / retailer (web based distributor); and
- ❖ others.

### **Incorporation, Capital and Equity Structure Conditions**

Any foreign involvement in these activities is subject to the following rules and conditions:

- **Local Incorporation**

All specialty store businesses with foreign equity must be incorporated locally under the Companies Act 1965. This condition applies also to existing businesses operating under foreign branches.

- **Minimum Capital Requirement**

Minimum capital investment in terms of a company's shareholders funds, which include paid-up capital and reserves, is as follows:

RM 1 million for each specialty outlet (**review every 3 years**).

Businesses already approved by FIC must also comply with this condition unless they are specifically exempted.

- **Equity Structure**

As already announced by FIC, this guideline adopts the FIC ruling that sets at least 30% of equity for Bumiputeras for all foreign direct investments. This also applies to existing operations that have not been referred to FIC. A reasonable grace period for compliance would be given, depending on the merit of each case.

Decisions already made by FIC in respect of equity as well as terms and conditions imposed that are more liberal to (or favour) the investor would remain applicable.

- ✚ **Operational Conditions**

- On-going condition:
  - ❖ Addition of branch is subject to approval of KPDN & HEP.
  - ❖ Approval from KPDN & HEP must be obtained for any increase in sales floor area of not less than 5,000 square metres.

- ✚ **Environment and Public Interest Conditions:**

- Impact study on existing retail businesses should be carried out if a specialty store is to be operational in a stand alone building or if the sales floor area is not less than 5,000 square meters.
- Specialty store operators should ensure a safe and clean environment (garbage disposal, recycling facilities, etc.) as well as efficient use of energy.
- Application to establish specialty stores and branches must be submitted to the Distributive Trade Committee.

## **VARIOUS OTHER DISTRIBUTION FORMATS**

Other types of businesses not specified will be considered on the merit of each case with particular reference to their contribution to the socio-economic development of Malaysia.

### **✚ Incorporation, Capital and Equity Structure Conditions**

Any foreign involvement in these activities is subject to the following rules and conditions:

- **Local Incorporation**

All various other distribution format businesses with foreign equity must be incorporated locally under the Companies Act 1965. This condition applies also to existing businesses operating under foreign branches.

- **Minimum Capital Requirement**

Minimum capital investment in terms of a company's shareholders funds, which include paid-up capital and reserves, is as follows:

RM 1 million for each outlet **(review every 3 years)**.

Businesses already approved by FIC must also comply with this condition unless they are specifically exempted.

- **Equity Structure**

As already announced by FIC, this guideline adopts the FIC ruling that sets at least 30% of equity for Bumiputeras for all foreign direct investments. This also applies to existing operations that have not been referred to FIC. A reasonable grace period for compliance would be given, depending on the merit of each case.

Decisions already made by FIC in respect of equity as well as terms and conditions imposed that are more liberal to (or favour) the investor would remain applicable.

### **✚ Operational Conditions**

- On-going condition:

- ❖ Addition of branch is subject to approval of KPDN & HEP.

### **Environment and Public Interest Conditions:**

- Impact study on existing retail businesses should be carried out if the business is to be operational in a stand alone building or if the sales floor area is not less than 5,000 square meters.
- Businesses should ensure a safe and clean environment (garbage disposal, recycling facilities, etc.) as well as efficient use of energy.
- Application to establish various other distribution format businesses and branches must be submitted to the Distributive Trade Committee.

### **No foreign involvement in the sector as below:-**

- Supermarket (400 to 2,000 square meters sales floor area)
- Minimarket (less than 400 square meters sales floor area)
- Provision shop/General vendor
- Convenience store (that opens for business for 24 hours)
- Newsagent and miscellaneous goods store
- Medical hall (inclined towards traditional alternative medicines plus general dry foodstuff)
- Petrol kiosk with convenience store
- Petrol kiosk without convenience store
- Permanent wet market store
- Permanent pavement store
- Others

## **DIRECT SELLER**

### **Definition**

A door-to-door sale and a mail order sale.

A door to door sale means the sale of goods or services involving a person or any person going from place to place not being a fixed place of business or making telephone calls; and a mail order sale means the sale of goods or services which a person conducts, either by himself or through any person authorized by him, by receiving an offer for a sale contract by mail.

Please refer to the Direct Sales Act 1993 and Guidelines for Application of Direct Selling Business.

### **Incorporation, Capital and Equity Structure Conditions**

Any foreign involvement in direct selling is subject to the following rules and conditions:

- **Local Incorporation**

All direct selling businesses with foreign equity must be incorporated locally under the Companies Act 1965. This condition applies also to businesses operating under foreign branches.

- **Minimum Capital Requirement**

Minimum capital investment in terms of a company's shareholders funds, which include paid-up capital and reserves, is as follows:

RM 5 million for direct selling.

Businesses already approved by FIC must also comply with this condition unless they are specifically exempted.

- **Equity Structure**

As already announced by FIC, this guideline adopts the FIC ruling that sets at least 30% of equity for Bumiputeras for all foreign direct investments. This also applies to existing operations that have not been referred to FIC. A reasonable grace period for compliance would be given, depending in the merit of each case.

Decisions already made by FIC in respect of equity as well as terms and conditions imposed that are more liberal to (or favour) the investor would remain applicable.

## **Operational Conditions**

Please refer to the Direct Sales Act 1993 and Guidelines for Application of Direct Selling Business.

## **Environment and Public Interest Conditions**

Please refer to the Direct Sales Act 1993 and Guidelines for Application of Direct Selling Business.

# FRANCHISOR AND FRANCHISEE

## **Definition**

A franchisor engages in distributive trade mainly through franchisees according to the contractual agreement between them.

A franchisee engages in distributive trade according to the contractual agreement with the franchisor up the supply chain.

A franchise is defined under the Franchise Act 1998.

## **Incorporation, Capital and Equity Structure Conditions**

Any foreign involvement in franchise businesses is subject to the Franchise Act 1998.

- **Local Incorporation**

All franchise businesses with foreign equity must be incorporated locally under the Companies Act 1965. This condition applies also to businesses operating under foreign branches.

- **Minimum Capital Requirement**

Minimum capital investment in terms of a company's shareholders funds, which include paid-up capital and reserves, is as follows:

Based on the merit of each case.

Businesses already approved by FIC are encouraged to comply with this condition unless they are specifically exempted.

- **Equity Structure**

As already announced by FIC, this guideline adopts the FIC ruling that sets at least 30% of equity for Bumiputeras for all foreign direct investments. This also applies to existing distributive trade operations that have not been referred to FIC. A reasonable grace period for compliance would be given, depending in the merit of each case.

Decisions already made by FIC in respect of equity as well as terms and conditions imposed that are more liberal to (or favour) the investor would remain applicable.

## **Operational Conditions**

Please refer to the Franchise Act 1998

## **Environment and Public Interest Conditions**

Please refer to the Franchise Act 1998

## **KEY / MANAGERIAL / TECHNICAL POSTS FOR EXPATRIATES**

- **Key Posts**

Key posts normally refer to full time positions of office where the incumbents are the main persons-in-charge of and are responsible for a specific function at or near the highest level of management decision within the company.

- ❖ Any distributive trade company with a paid-up capital of RM 10 million and above will automatically be allowed three (3) expatriate key posts. Additional expatriate posts will be considered if necessary, upon request.
- ❖ Any distributive trade company with a paid-up capital of less than RM 10 million with at least RM 1 million will be considered for a maximum of one (1) expatriate key post.

The person applying for the key post must hold or has held a managerial position in the company's wholesale or retail business outside Malaysia for a period of not less than 3 years preceding the date of application for the work permit.

- **Time Posts**

A maximum of 10 time posts per company is permitted for executive or technical experts with professional qualification and relevant practical experience including holding equivalent or related position in the company's business for not less than 3 years. Such expatriates may be employed subject to the condition that Malaysians are trained to eventually take over the posts. Each application approved would be for a period of 2 to 3 years and a maximum of 5 years. The number of time posts will vary with the size of the foreign capital investment in the company and the expertise required where qualified locals are not available. Local understudy should be appointed to eventually take over from the expatriate holding the time post.

## **DOCUMENTS AND PROCEDURES FOR APPLICATION**

### **🚩 New Application To Operate A Distributive Trade Business**

- i) Any application for opening a distributive trade business must be submitted to Ministry of Domestic Trade and Consumer Affairs (MDTCA) before obtaining approval from the local authority or any other relevant agency.
- ii) An impact study on the existing retail businesses at particular area must be conducted before an application for opening a hypermarket or superstore is considered.
- iii) An impact study on the existing retail businesses at particular area must be conducted before an application can be considered if a distributive trade business outlet is to be operational in a stand alone building or if the sales floor area is not less than 5,000 square metres.
- iv) MDTCA will provide an acknowledgement letter requesting the operator to do an impact study upon submission of WRT 1 to set up a distributive trade business as stated in part (ii) dan (iii).
- v) Applications must be accompanied by the following documents:
  - Description on the company activities / business plan;
  - Memorandum and Articles of Association of the company;
  - Details of Company Profile as in computer print-out issued by the Companies Commission of Malaysia (CCM);
  - A copy of Form 9, 13, 24, 32A and 49 that is certified by the CCM;
  - A complete copy of the Management, Service and Technical Assistance Agreements / Joint Venture Agreements or other agreements (if any);
  - Other relevant documents such as purchase orders, sales invoices, import / export documents etc (if any);
  - Relevant information of the individuals/companies involved in the equity structure;
  - Projected profit for the first 5 years / Audited financial statement for the latest 2 consecutives years (for existing company);

- The proposed extent of Malaysian participation in ownership and management in the proposed set up; (if any) and
- All other relevant information (if any), that support the application.

## **Application For Branch Expansion**

- i) Any application for branch expansion of the distributive trade business must be submitted to Ministry of Domestic Trade and Consumer Affairs (MDTCA) before obtaining approval from the local authority or any other relevant agency.
- ii) The company that is applying for branch expansion must comply with the paid up capital and equity structure requirements before opening a new branch.
- iii) An impact study on the existing retail businesses at particular area must be conducted before an application for opening a hypermarket or superstore is considered.
- iv) An impact study on the existing retail businesses at particular area must be conducted before an application can be considered if a distributive trade business outlet is to be operational in a stand alone building or if the sales floor area is not less than 5,000 square metres.
- v) MDTCA will provide an acknowledgement letter requesting the operator to do an impact study upon submission of WRT 1 to set up a distributive trade business as stated in part (iii) dan (iv).
- vi) Applications must be accompanied by the following documents:
  - Description on company activities / business plan;
  - List of company's branches information including the headquarter using Format A;
  - Memorandum and Articles of Association of the company;
  - Details of Company Profile as in computer print-out issued by the Companies Commission of Malaysia (CCM);
  - A copy of Form 9, 13, 24, 32A, 49 that is certified by the CCM and Form E - Internal Revenue Board (IRB);

- A complete copy of the Management, Service and Technical Assistance Agreements / Joint Venture Agreements or other agreements (if any);
- Other relevant documents such as purchase orders, sales invoices, import / export documents etc (if any);
- Any approval from relevant authority e.g. FIC, MITI, local authority etc.;
- Tenancy agreement of the business premise or outlet;
- Relevant information of the individuals/companies involved in the equity structure;
- Audited financial statement for the latest 2 consecutive years and projected profit for the first 5 years of the new branch;
- The proposed extent of Malaysian participation in ownership and management in the proposed set up (if any); and
- All other relevant information (if any), that support the application.

### **🚧 Application For Business Premise Expansion**

- i) Any reduction or increase of sales floor area of a hypermarket, departmental store or superstore must be submitted to Ministry of Domestic Trade and Consumer Affairs (MDTCA) before obtaining approval from the local authority or any other relevant agency. (Please refer to page 15 for the expansion of business floor area of a specialty store.)
- ii) Any application for expansion/ re-construction of a distributive trade business premise must be submitted to Ministry of Domestic Trade and Consumer Affairs (MDTCA) before obtaining approval from the local authority or any other relevant agency.
- iii) The company that is applying for expansion of existing branch / outlet must comply with the particular paid up capital and equity structure requirements.
- iv) An impact study on the existing retail businesses at particular area must be conducted before an application can be considered if a distributive trade business outlet is to be operational in a stand alone building or if the sales floor area is not less than 5,000 square metres.

- v) MDTCA will provide an acknowledgement letter requesting the operator to do an impact study upon submission of WRT 1 for business premise expansion as stated in part (iv).
- vi) Applications must be accompanied by the following documents:
- Description on company activities / business plan;
  - Description on company's business premise expansion / reduction plan;
  - List of company's branches information including the headquarter using Format A;
  - Memorandum and Articles of Association of the company;
  - Details of Company Profile as in computer print-out issued by the Companies Commission of Malaysia (CCM);
  - A copy of Form 9, 13, 24, 32A, 49 that is certified by the CCM and Form E – Internal Revenue Board (IRB);
  - A complete copy of the Management, Service and Technical Assistance Agreements / Joint Venture Agreements or other agreements (if any);
  - Tenancy agreement of the business premise or outlet / development order;
  - Relevant information of the individuals/companies involved in the equity structure;
  - Audited financial statement for the latest 2 consecutive years;
  - The proposed extent of Malaysian participation in ownership and management in the proposed set up (if any);
  - A copy of the original building plan, the proposed plan together with the details on the sales floor area and the total building area; and
  - All other relevant information (if any), that support the application.

Business floor area : The total area of the building / premise / outlet
Sales floor area : The business floor area excluding the warehouse / backroom / storeroom, food court and office.

## **Application For Business Premise Relocation**

- i) Any application to relocate an existing distributive trade business must be submitted to Ministry of Domestic Trade and Consumer Affairs (MDTCA) before obtaining approval from the local authority or any other relevant agency.
- ii) An impact study on the existing retail businesses at particular area must be conducted before an application can be considered if a distributive trade business outlet is to be relocated and operational in a stand alone building or if the proposed sales floor area is not less than 5,000 square metres.
- iii) MDTCA will provide an acknowledgement letter requesting the operator to do an impact study upon submission of WRT 1 to set up a distributive trade business as stated in part (ii).
- iv) Applications must be accompanied by the following documents:
  - Description on company activities / business plan;
  - Details on the relocation proposal and the rationale for relocation;
  - Memorandum and Articles of Association of the company;
  - Details of Company Profile as in computer print-out issued by the Companies Commission of Malaysia (CCM);
  - A copy of Form 9, 13, 24, 32A and 49 that is certified by the CCM;
  - A complete copy of the Management, Service and Technical Assistance Agreements / Joint Venture Agreements or other agreements (if any);
  - Relevant information of the individuals/companies involved in the equity structure;
  - Audited financial statement for the latest 3 consecutive years; and
  - All other relevant information (if any), that support the application.

All proposals and communications addressed to the Distributive Trade Committee will be treated in confidence.

- ✚ **Applicants must complete and submit Form WRT 1 (as appendix), together with the required documents to:**

**Secretary  
Committee on Distributive Trade  
Ministry of Domestic Trade & Consumer Affairs  
Lot 2G3, Precint 2, Level 4  
Pusat Pentadbiran Kerajaan Persekutuan  
62623 Putrajaya  
Malaysia**

**Tel : 03 – 8882 5500  
Fax : 03 – 8882 5981 / 5941  
Website : <http://www.kpdnhep.gov.my>**

## **OTHER RELEVANT DISTRIBUTIVE TRADE APPLICATIONS**

- ✚ **Application for Direct Selling Businesses**

Please refer to Direct Sales Act 1993 and Guidelines for Application of Direct Selling Business.

- ✚ **Application for Franchisor-franchisee Businesses**

Any distributive trade company that plans to do franchise must submit the application to MDTCA before obtaining registration approval (Form BAF 3) from the Registrar of Franchises.

Please refer to Franchise Act 1998 for application of franchisor-franchisee business.

- ✚ **Manufacturing Companies**

Manufacturing companies distributing their products in the domestic market must incorporate a separate legal entity (marketing arm) and this entity will be subjected to the rules and conditions, laid down in this guideline.

- ✚ **Foreign Branch Companies**

With effect from 1 November 1995 a foreign branch is not allowed to establish a place of business or carry on business in wholesale and retail trade in Malaysia.

## COMMITTEE ON DISTRIBUTIVE TRADE

**The Ministry of Domestic Trade and Consumer Affairs** is the **Secretariat** to the **Distributive Trade Committee** and will be the main agency and reference for any query / application relating to foreign participation in distributive trade. Members of the Committee are as listed below:

1. Secretary General,  
Ministry of Domestic Trade and Consumers Affairs  
- Chairman
2. Ministry Of Finance
3. Ministry of International Trade and Industry
4. Ministry of Home Affairs
5. Ministry of Housing and Local Government
6. Ministry of Entrepreneurial Cooperative Development
7. Economic Planning Unit – Foreign Investment Committee
8. Ministry of Federal Territories
9. Ministry of Agriculture and Agro-Based Industry
10. Ministry of Rural and Regional Development
11. Ministry of Domestic Trade and Consumer Affairs
  - Deputy Secretary General (Policy)
  - Director of Domestic Trade Division
  - Director of Enforcement
  - Secretary of Policy and Planning Division
  - Director of Business Development Division
  - CEO of Companies Commission of Malaysia