Doing Business in Malaysia
2020

Comparing Business Regulation in **6 Cities** and **4 Maritime Ports** with **189 Other Economies**

I. **Main findings of *Doing Business in Malaysia 2020***

II. **Registering Property in Malaysia**

III. **Dealing with Construction Permits in Malaysia**

IV. **Trading across Borders in Malaysia**

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"Global" and "Subnational" *Doing Business*: what are the differences?

Global Doing Business

- Demand driven
- Go beyond the largest city
- Selected DB indicators relevant at subnational level
- Replicable local good practices
- Tailored reform recommendations
- City stories
- 500+ cities in 78 economies

Subnational Doing Business

- WBG annual flagship
- Largest business city used as proxy
- 11 indicators
- International good practices
- 190 economies
- More than 3,000 recorded reforms
- Country stories

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Which cities and indicators are benchmarked in Malaysia?

6 cities and 4 seaports

3 *Doing Business* indicator areas:

- **Dealing with construction permits**
- **Registering property**
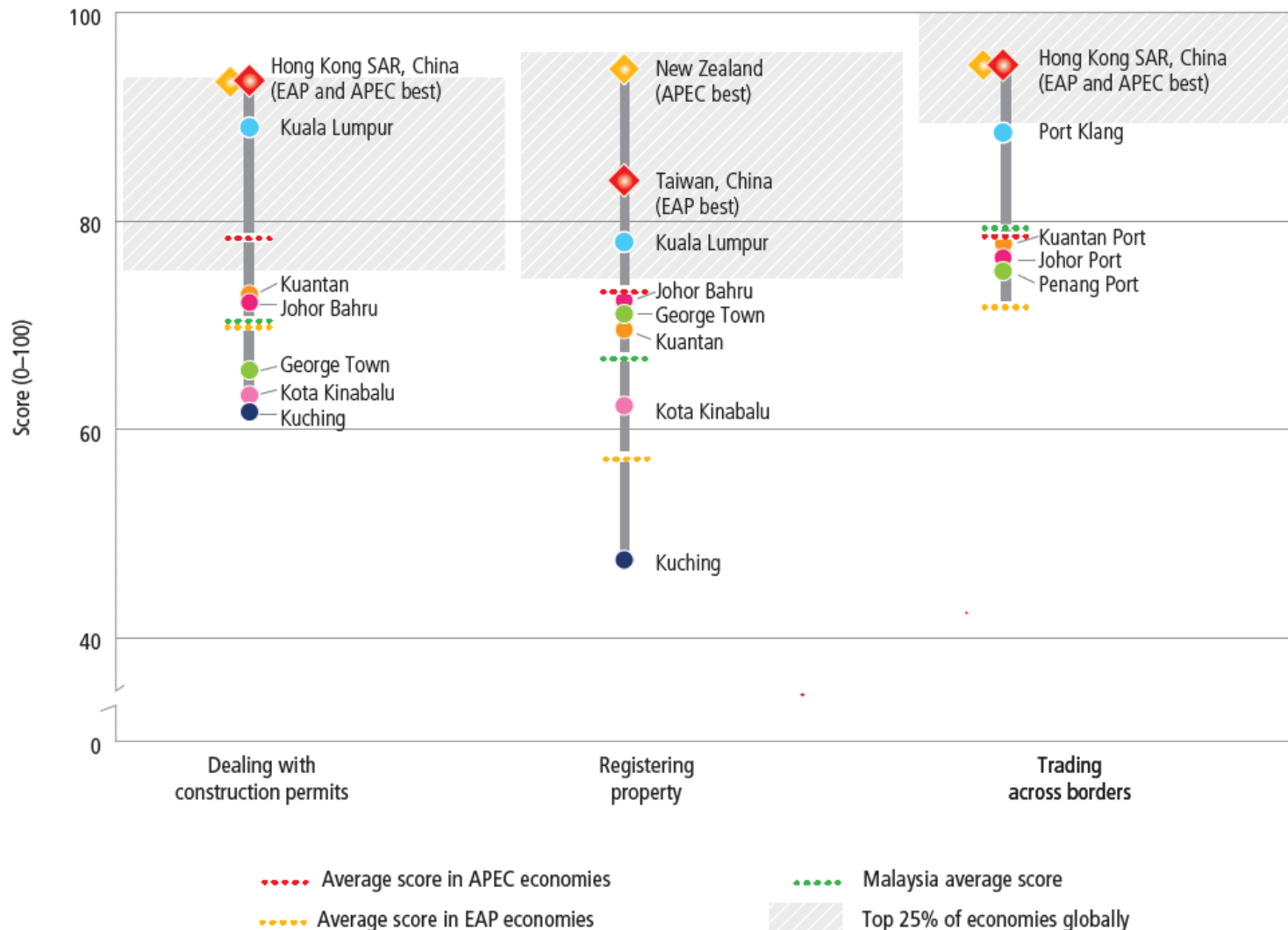- **Trading across borders**
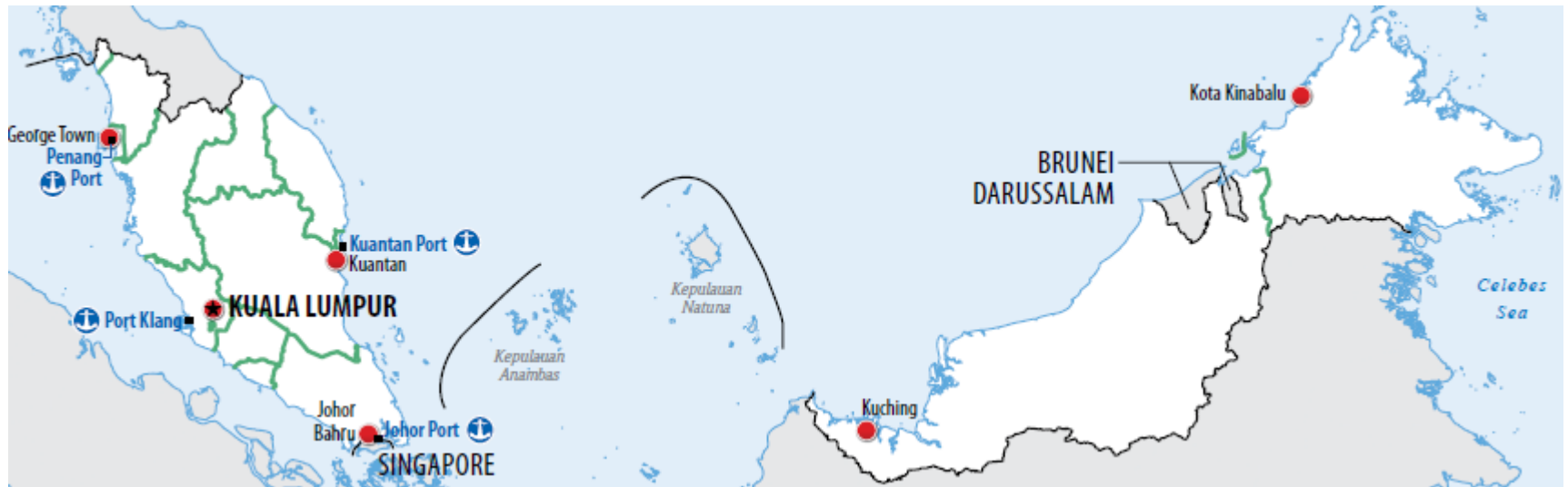
The data in the study is as of November 1, 2019.
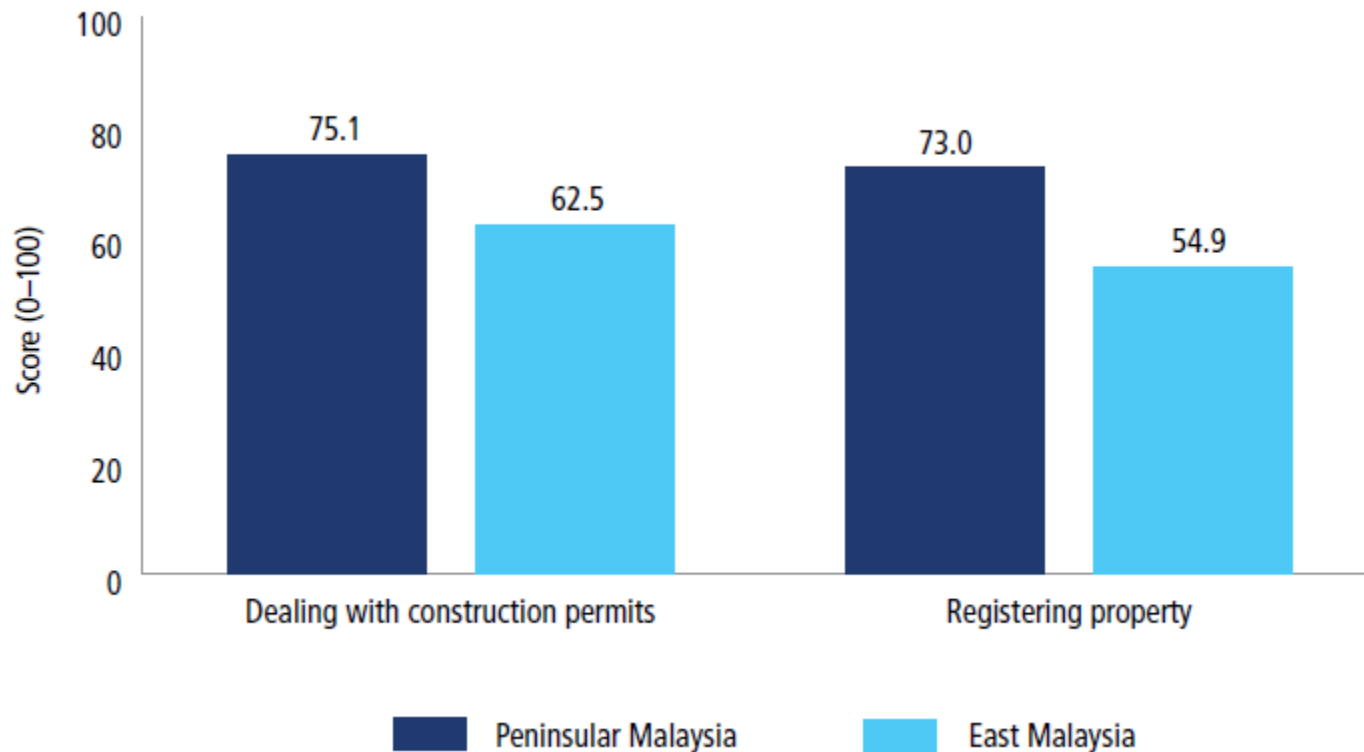
Kuala Lumpur stands out as a top performer across all areas

City (State)	Dealing with construction permits		Registering property	
	Rank (1–6)	Score (0–100)	Rank (1–6)	Score (0–100)
George Town (Penang)	4	66.1	3	71.1
Johor Bahru (Johor)	3	72.2	2	72.4
Kota Kinabalu (Sabah)	5	63.3	5	62.3
Kuala Lumpur	1	89.0	1	78.0
Kuantan (Pahang)	2	73.0	4	70.4
Kuching (Sarawak)	6	61.7	6	47.5

Location	Trading across borders score (0–100)
Johor Port	76.5
Port Klang	88.5
Kuantan Port	78.5
Penang Port	75.2

Malaysian cities outperform their EAP regional peers on average across all three indicators

Score (0–100)

Dealing with construction permits
- Hong Kong SAR, China (EAP and APEC best)
- Kuala Lumpur
- Kuantan
- Johor Bahru
- George Town
- Kota Kinabalu
- Kuching

Registering property
- New Zealand (APEC best)
- Taiwan, China (EAP best)
- Kuala Lumpur
- Johor Bahru
- George Town
- Kuantan
- Kota Kinabalu
- Kuching

Trading across borders
- Hong Kong SAR, China (EAP and APEC best)
- Port Klang
- Kuantan Port
- Johor Port
- Penang Port

Legend:
- ••••• Average score in APEC economies
- ••••• Average score in EAP economies
- ••••• Malaysia average score
- Top 25% of economies globally

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Cities in Peninsular Malaysia outperform those in East Malaysia

Malaysian cities score higher on regulatory quality than procedural efficiency
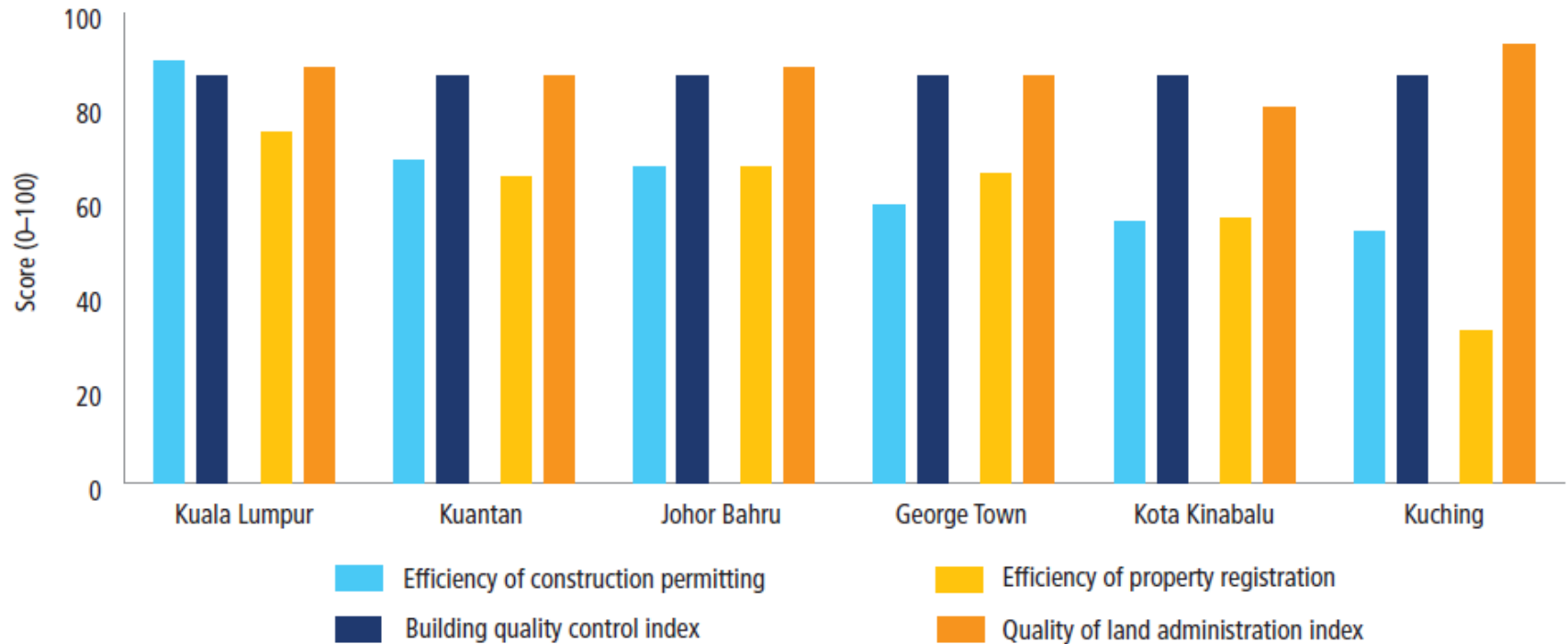
What can be improved upon going forward?

◆ **Focus reform efforts on cities beyond Kuala Lumpur**

◆ **Improve coordination between agencies**

◆ **Introduce or improve electronic platforms throughout the country**

◆ **Ensure consistent implementation of requirements and documentation**

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Where is it easier to transfer a commercial warehouse in Malaysia?

City (State)	Rank	Score (0–100)	Procedures (number)	Time (days)	Cost (% of property value)	Quality of land administration index (0–30)
Kuala Lumpur	1	78.0	6	16.5	4.1	26.5
Johor Bahru (Johor)	2	72.4	8	25	4.3	26.5
George Town (Penang)	3	71.1	8	32	4.4	26
Kuantan (Pahang)	4	70.4	8	39	4.3	26
Kota Kinabalu (Sabah)	5	62.3	8	99	3.9	24
Kuching (Sarawak)	6	47.5	10	304.5	4.2	28

Source: Doing Business database.

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# The process to register property in Malaysia follows a similar pattern, with variation mostly found in the preregistration phase

Procedure	Agency	Local or regional authority requirement	Takes place in all cities
Preregistration			
Obtain consent to transfer the warehouse	Land and Survey Department of Sarawak, Kuching Division	x	
Lawyer conducts a land title search[a]	Land Office		x
Lawyer conducts a company search[a]	Companies Commission of Malaysia (online)		x
Lawyer conducts a bankruptcy search[a]	E-Insolvency portal (online)		x
Obtain certificate of indebtedness	Council of the City of Kuching South or Kuching North City Hall or Padawan Municipal Council	x	
Registration			
Buyer and seller sign sales-purchase agreement	Lawyer's office		x
Memorandum of transfer sent to Stamp Duty Office for adjudication of stamp duty and valuation	Inland Board of Revenue		x
Obtain certificate of payment of assessment rates and update buyer's name[b]	Kota Kinabalu City Hall	x	
Transfer is registered at the Land Office	Land Office		x
Postregistration			
Update name of the buyer at the municipality	City Hall		x

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The time to transfer property and complete procedures at the Land Office varies widely
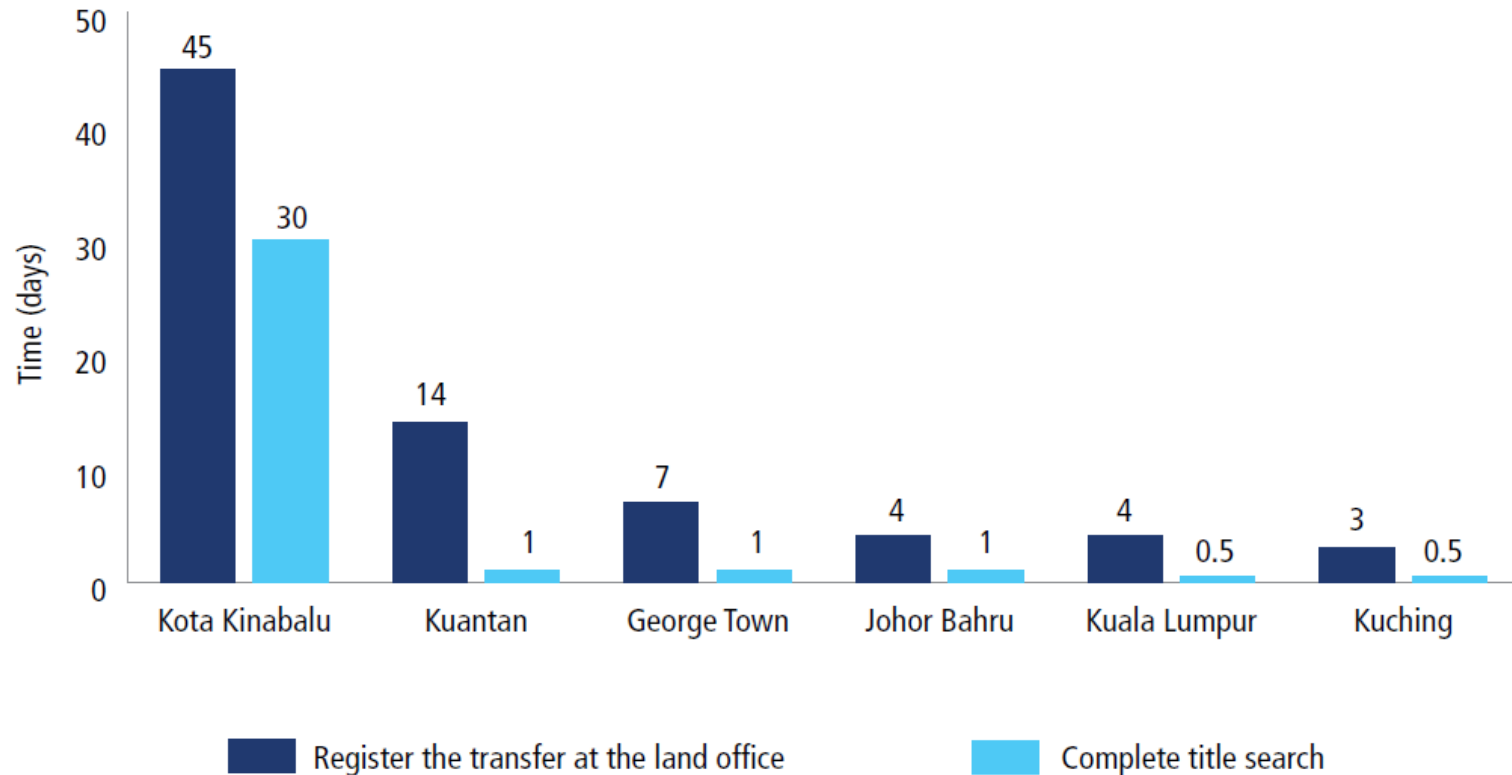
Stamp duties account for the majority of the cost across cities

Legend:
- ■ Stamp duty
- ■ Lawyer's fees
- ■ Registration fees

Pie chart values: 78%, 19%, 3%
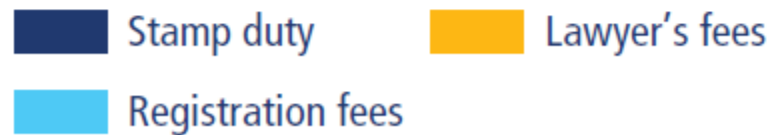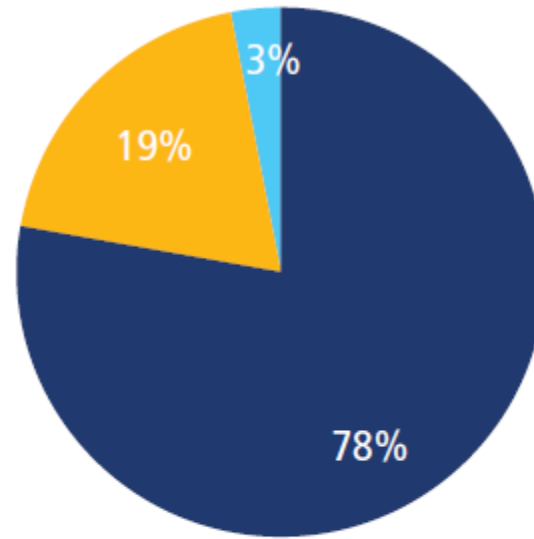
Malaysian cities score high on the quality of land administration index

Quality of land administration index (0–30)

Categories (left to right):
- Singapore (regional best)
- Kuching
- Johor Bahru
- Kuala Lumpur
- Malaysia average
- George Town
- Kuantan
- Kota Kinabalu
- APEC average
- EAP average

Legend:
- Reliability of infrastructure (0–8)
- Transparency of information (0–6)
- Geographic coverage (0–8)
- Land dispute resolution (0–8)

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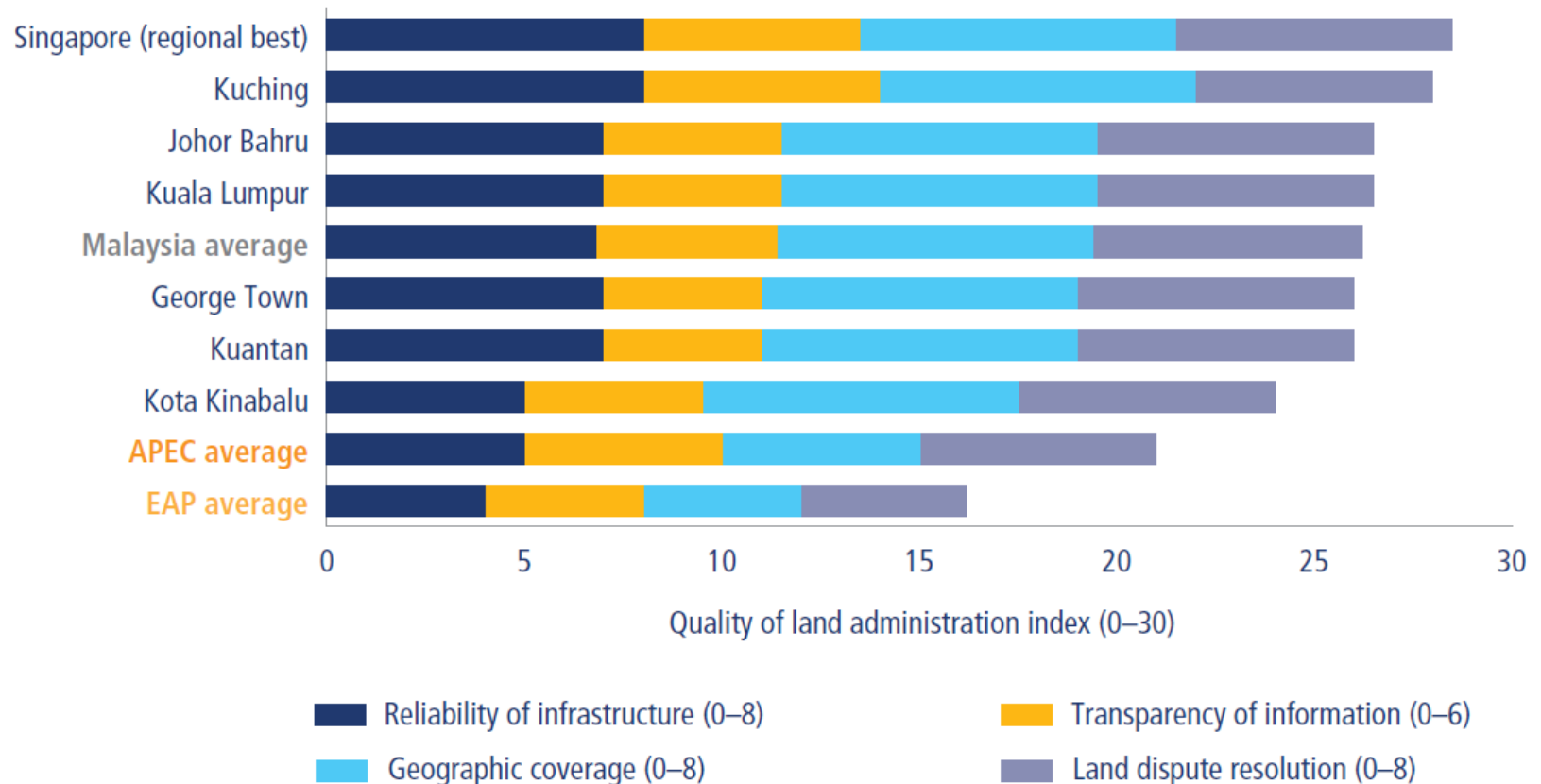
Registering Property: what can be improved?

Registering property	
Continue the digitalization process and implement e-Tanah in other Malaysian cities	**National** • Inland Revenue Board • Valuation and Property Services Department (JPPH) • Department of Land and Mines
Improve stakeholder coordination throughout the property registration process	
Implement a unified or linked database between the Land Office and cadastre	**Local** • Land and Survey Department of Sarawak • Land Offices • Valuation and Property Management Department at City Hall
Improve transparency by expanding access to information on land ownership	
Consider streamlining the consent process in Kuching and making it transparent	

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Where is it easier to deal with construction permits in Malaysia?

City (State)	Rank	Score (0–100)	Procedures (number)	Time (days)	Cost (% of warehouse value)	Building quality control index (0–15)
Kuala Lumpur	1	89.0	9	53	1.3	13
Kuantan (Pahang)	2	73.0	20	118	1.6	13
Johor Bahru (Johor)	3	72.2	19	136	2.0	13
George Town (Penang)	4	66.1	21	141	5.0	13
Kota Kinabalu (Sabah)	5	63.3	22	212	2.3	13
Kuching (Sarawak)	6	61.7	23	231	1.7	13

Kuala Lumpur's One Stop Center: a good practice to adopt

Principal submitting person → OSC →

JPRB: Planning permission	JPIF: Earthworks, road and drainage plan
JKB: Building plan	JKPB: Road excavation
JBPM: Fire safety plan	JBPM: Mechanical/engineering plan
IWK: Sewerage plan	SYABAS: Water plan
TNB: Electrical plan	SKMM: Communication infrastructure plan

Joint meeting ← OSC

Approval → OSC → Principal submitting person

IWK = Indah Water Consortium (sewerage certifying agency)
JBPM = Fire and Rescue Department
JKB = Department of Building Control
JKPB = Civil Engineering and Urban Transportation Department
JPIF = Infrastructure Planning Department
JPRB = City Planning Department
SKMM = Malaysian Communications and Multimedia Commission
SYABAS = Pengurusan Air Selangor (water authority)
TNB = Tenaga Nasional Berhad (electrical utility)

The majority of approvals are required before construction

Chart: Procedures (number) by city, showing Before construction, During construction, After construction, and Utilities

City	Before construction	During construction	After construction	Utilities
Kuala Lumpur	3		3	3
Johor Bahru	6	1	6	6
Kuantan	9	1	5	5
George Town	8	1	6	6
Kota Kinabalu	8	1	7	6
Kuching	9	2	7	5

Procedures (number)

Legend: Before construction, During construction, After construction, Utilities

The time to obtain a building permit varies widely

	Building permit	Fire safety clearance	Water clearance letter	Water connection	Other formalities
Kuala Lumpur	30		13	3	7
Kuantan	45	7	14	27	25
Johor Bahru	60	14	25	14	23
George Town	50	10	45	14	22
Kota Kinabalu	67	14	14	31	86
Kuching	90	24	7	14	96

Time (days)
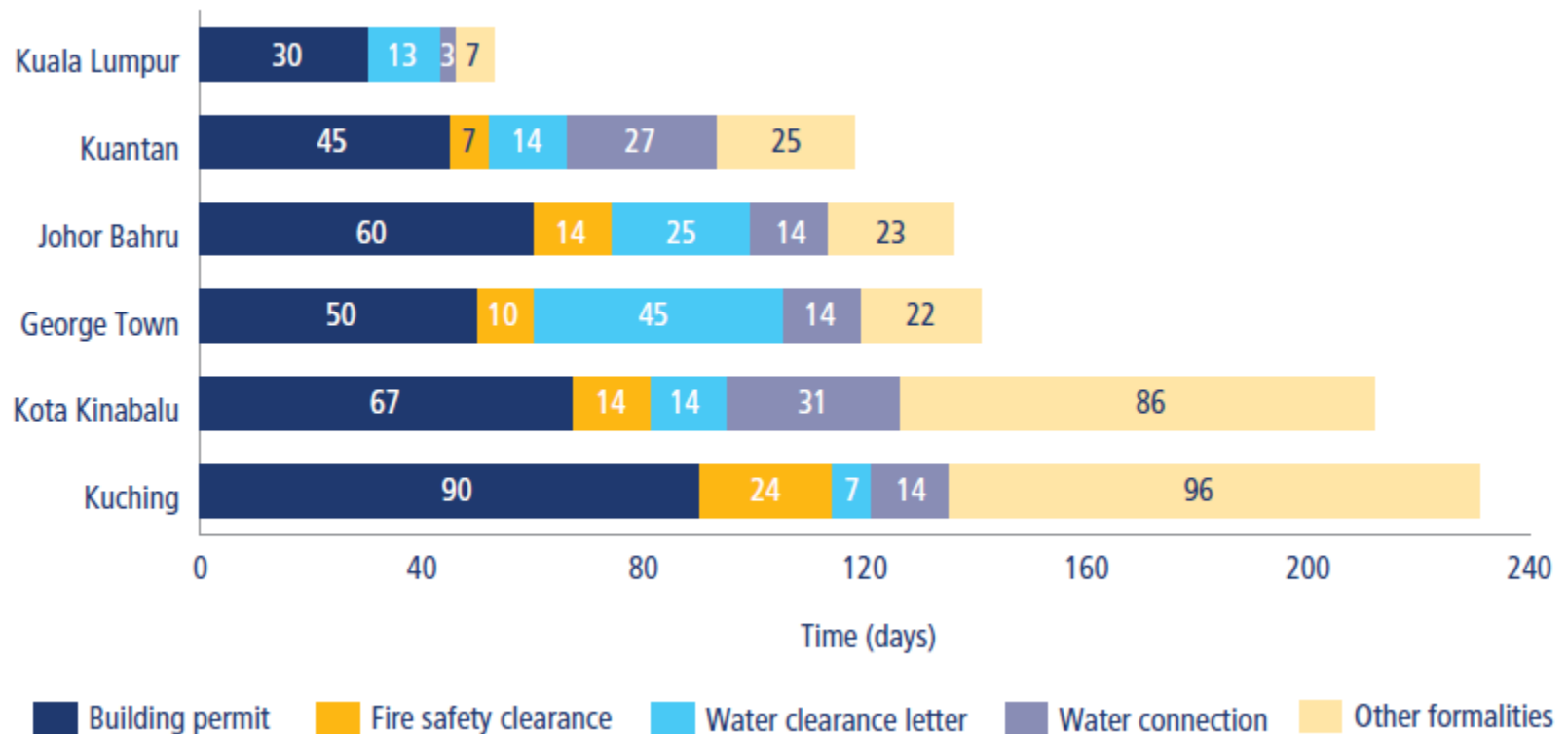
Development contribution fees account for the majority of the cost across most cities

Fees as a percentage of total cost (Malaysia average)

Cost (MYR, thousands)

- Building permit fees
- Development contribution fees
- Other fees

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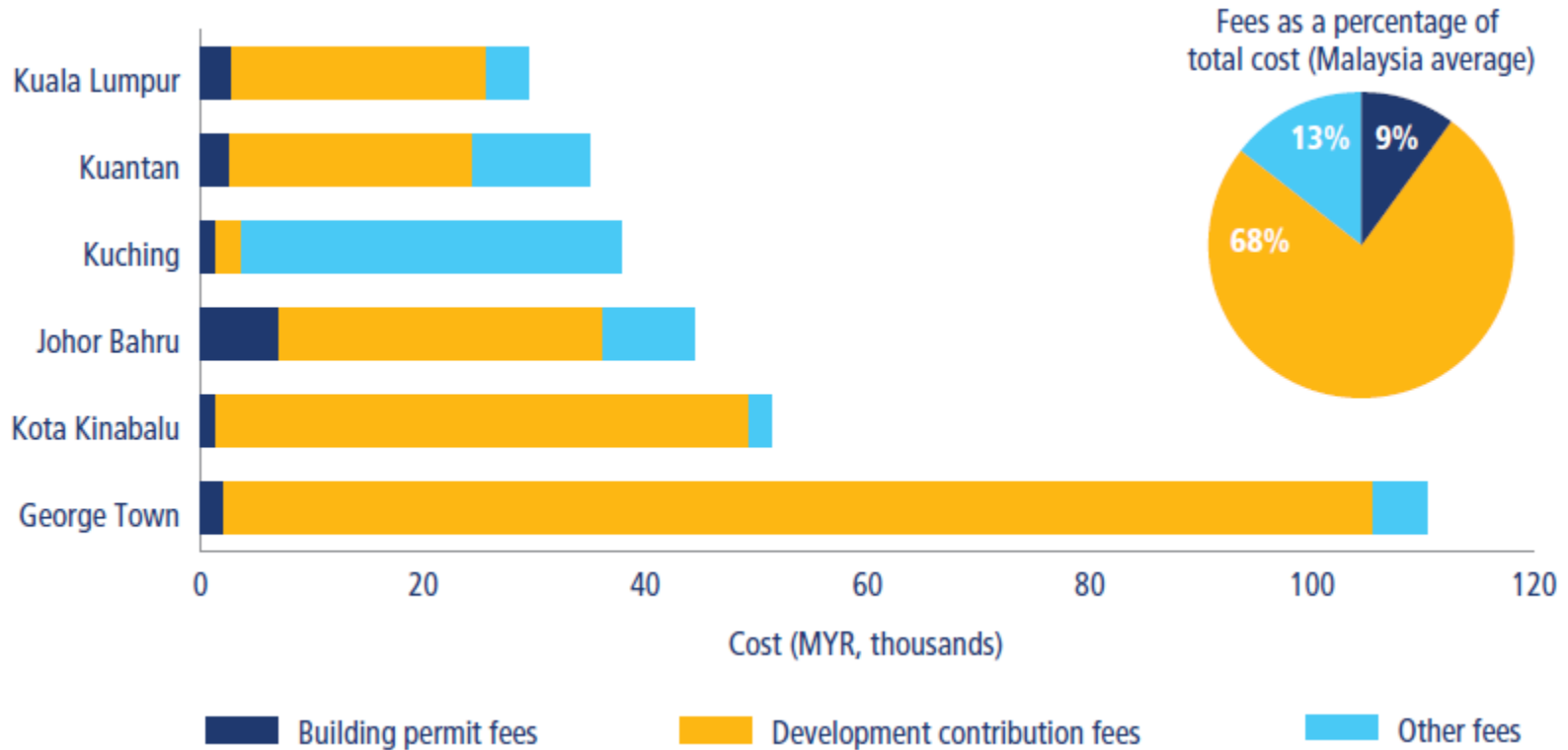
Malaysian cities have strong quality control mechanisms

			All cities
Building quality control index (0–15)			**13**
Quality of building regulations (0–2)	Are building regulations easily accessible?		1
	Are the requirements for obtaining a building permit clearly specified?		1
Quality control before construction (0–1)	Is a licensed architect or licensed engineer part of the committee or team that reviews and approves building permit applications?		1
Quality control during construction (0–3)	Are inspections mandated by law during the construction process?		1
	Are inspections during construction implemented in practice?		1
Quality control after construction (0–3)	Is a final inspection mandated by law?		2
	Is a final inspection implemented in practice?		1
Liability and insurance regimes (0–2)	Is any party involved in the construction process held legally liable for latent defects once the building is in use?		1
	Is any party involved in the construction process legally required to obtain a latent defect liability—or decennial (10-year) liability—insurance policy to cover possible structural flaws or problems in the building once it is in use?		0
Professional certifications (0–4)	Are there qualification requirements for the professional responsible for verifying that the architectural plans or drawings are in compliance with the building regulations?		2
	Are there qualification requirements for the professional who conducts the technical inspections during construction?		2

Indicates maximum points obtained.

Dealing with construction permits: what can be improved?

Dealing with construction permits

Ensure that existing one stop centers are fully functional	**National** • Building Associations (Institute of Architects and Institute of Engineers)
Expand the data available to construction professionals to facilitate information-gathering	
Introduce new or enhance existing online platforms	**Local** • One Stop Center Counters at Local Councils
Ensure consistency and transparency across all cities when evaluating new construction projects	• Building Departments • City Planning Departments
Enforce self-regulation by qualified professionals and clarify the scope of inspections conducted by the authorities	• Engineering Departments • Public Works Departments • Fire and Rescue Departments
Consider reducing the burden on entrepreneurs for infrastructure development	• Water Authorities • Sewerage Authorities
Accelerate the approval of zoning plans	• Utility Corridor Authorities
Enhance the risk-based classification system and fast-track approval options	

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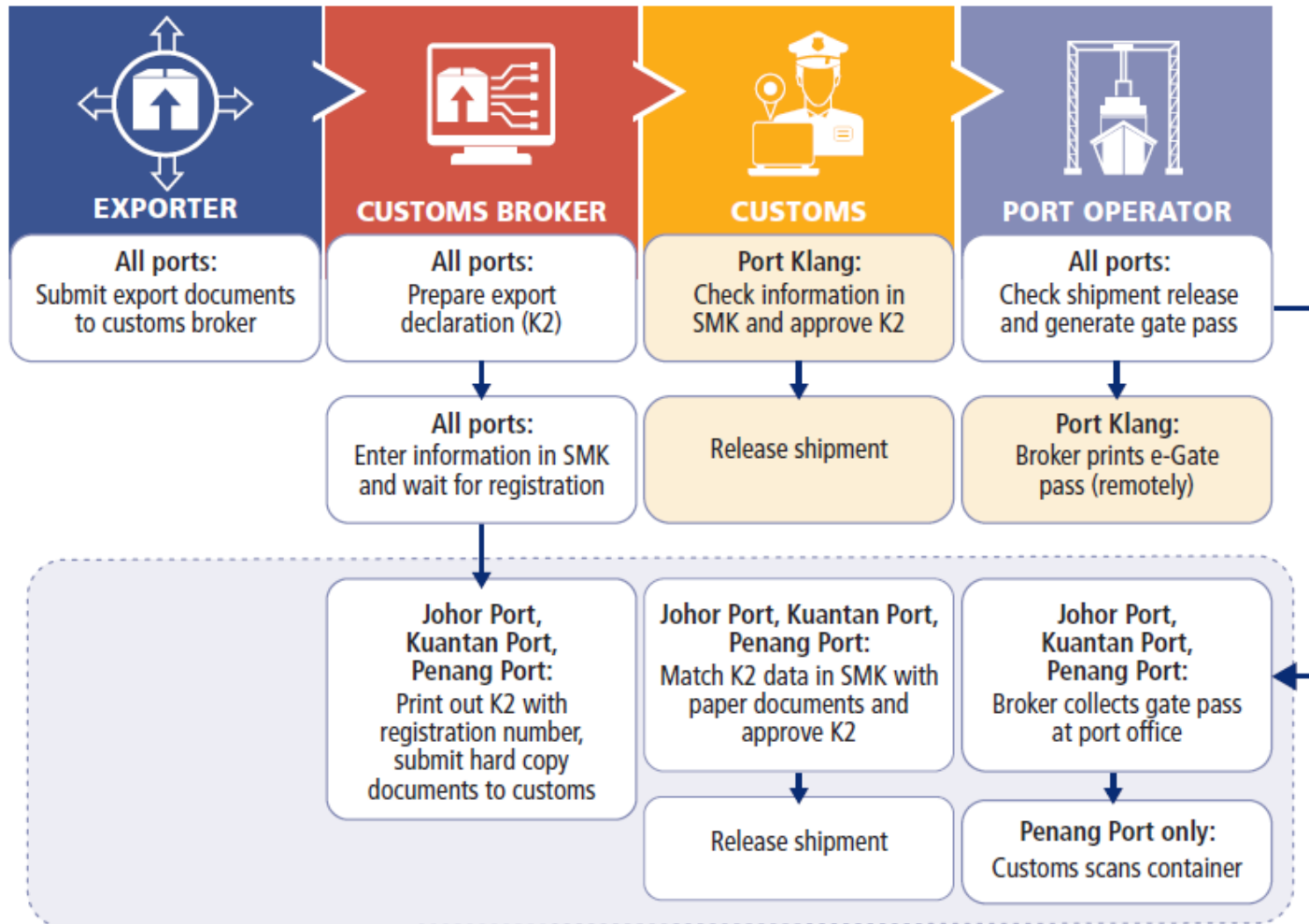
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What was measured in the trading across borders indicator for each port?

	Johor Port (Johor Bahru)	Port Klang (Kuala Lumpur)	Kuantan Port (Kuantan)	Penang Port (George Town)
Export				
Product	HS 15 – Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	HS 85 – Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	HS 39 – Plastics and articles thereof	HS 85 – Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles
Trade partner	Turkey	China	Korea, Rep.	United States
Import				
Product	HS 8708 – Parts and accessories of motor vehicles (auto parts)			
Trade partner	China	Thailand	Thailand	China

Where is it easier to trade across borders in Malaysia?

	Score (0–100)	Export				Import			
		Border compliance		Documentary compliance		Border compliance		Documentary compliance	
		Time (hours)	Cost (US$)	Time (hours)	Cost (US$)	Time (hours)	Cost (US$)	Time (hours)	Cost (US$)
Port Klang	88.5	28	213	10	35	36	213	7	60
Kuantan Port	78.5	57	138	74	53	54	136	74	48
Johor Port	76.5	48	144	74	53	48	181	120	48
Penang Port	75.2	56	150	50	123	72	201	98	48

Port Klang's electronic system: a good practice to adopt

EXPORTER

All ports:
Submit export documents to customs broker

CUSTOMS BROKER

All ports:
Prepare export declaration (K2)

All ports:
Enter information in SMK and wait for registration

Johor Port, Kuantan Port, Penang Port:
Print out K2 with registration number, submit hard copy documents to customs

CUSTOMS

Port Klang:
Check information in SMK and approve K2

Release shipment

Johor Port, Kuantan Port, Penang Port:
Match K2 data in SMK with paper documents and approve K2

Release shipment

PORT OPERATOR

All ports:
Check shipment release and generate gate pass

Port Klang:
Broker prints e-Gate pass (remotely)

Johor Port, Kuantan Port, Penang Port:
Broker collects gate pass at port office

Penang Port only:
Customs scans container

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Port handling comprises the majority of border compliance time for exports

Time to undergo border compliance for exports (hours)

Port	Customs clearance and inspections	Port handling	Total
Port Klang	5	23	28
Johor Port	9	39	48
Penang Port	8	48	56
Kuantan Port	9	48	57

■ Customs clearance and inspections ■ Port handling
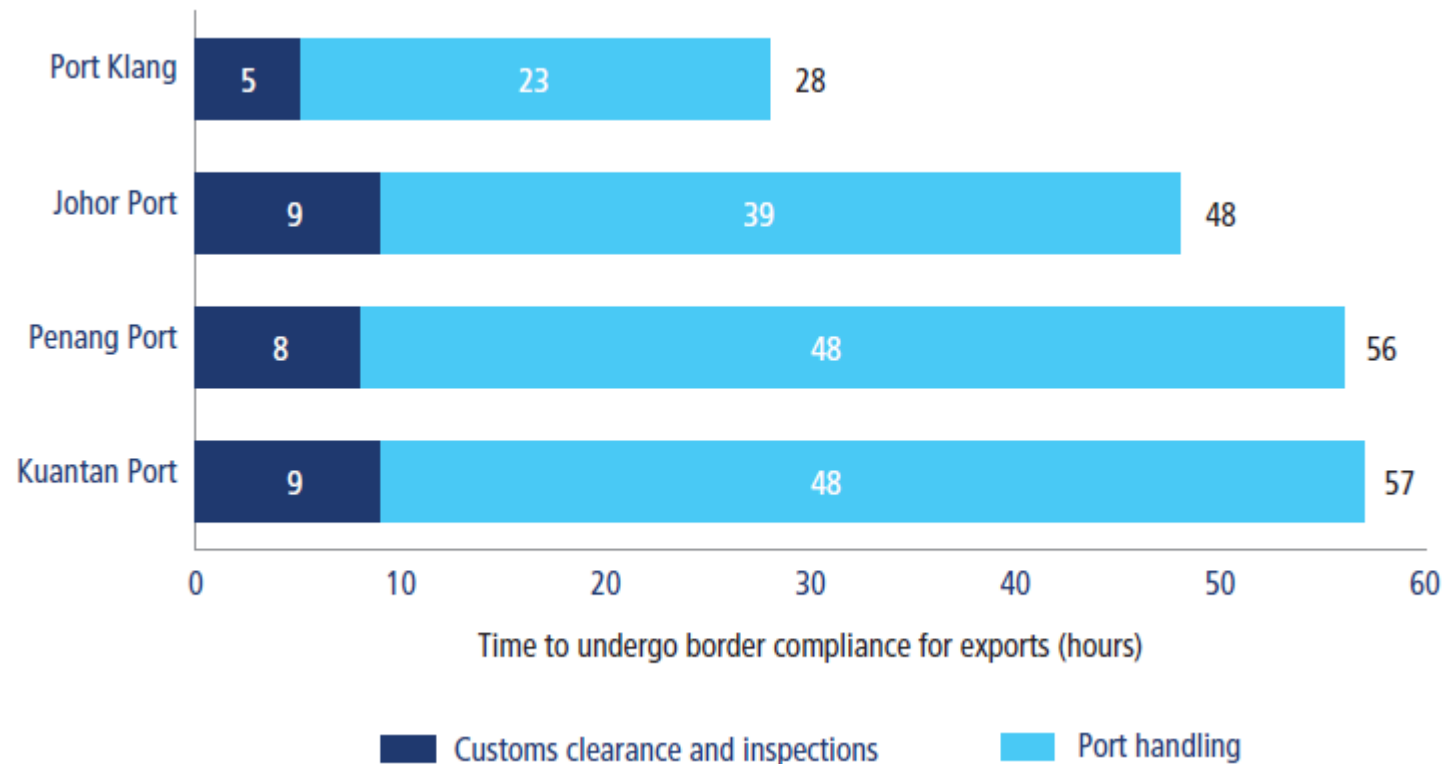
Port Klang has the lowest border compliance time for imports

Time to undergo border compliance for imports (hours)

Port Klang: 6, 30, 36
Johor Port: 35, 13, 48
Kuantan Port: 9, 45, 54
Penang Port: 34, 38, 72

■ Customs clearance and inspections   ■ Port handling

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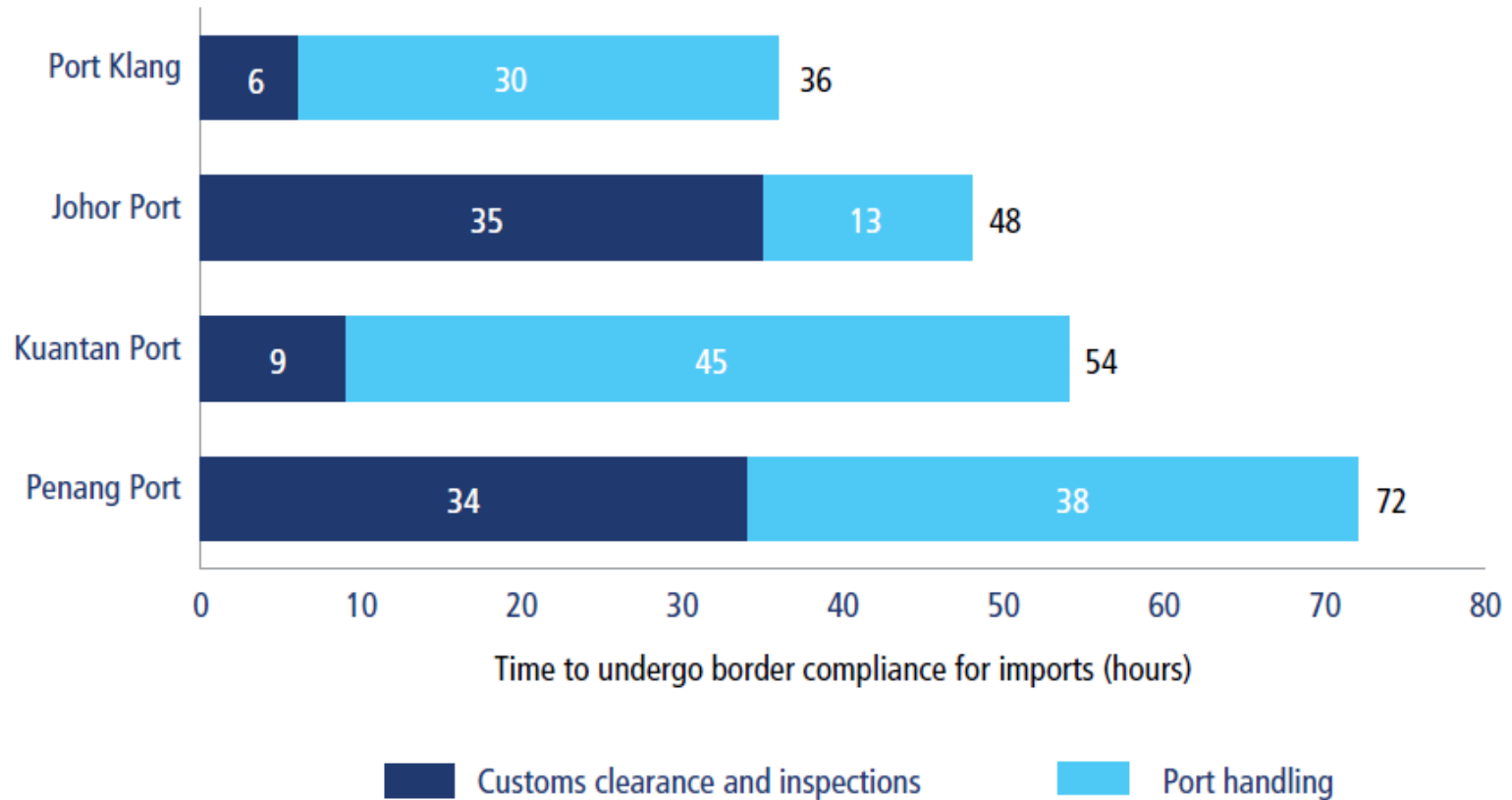
Trading across borders: what can be improved?

Trading across borders	
Improve the transparency and accessibility of information on customs and port procedures	**National** • Ministry of Finance • Ministry of International Trade and Industry • Royal Malaysian Customs Department • Ministry of Agriculture and Agro-based Industry • Ministry of Energy, Science, Technology, Environment and Climate Change (Department of Environment) • Ministry of Transport
Improve coordination of agencies involved in export and import processes to streamline procedures and increase awareness on government initiatives	
Introduce an electronic single window for trade	**Local** • Port authorities
Enhance the functionality of the customs information system	**Private Sector** • Port operators (Johor Port Bhd., Westports Malaysia Sdn. Bhd., Kuantan Port Consortium Sdn. Bhd., Penang Port Sdn. Bhd.) • Customs brokers, freight forwarding agents • Carriers (shipping lines, trucking companies) • Dagang Net Technologies Sdn. Bhd.

THANK YOU!

We invite you to access the database and download the report at:

www.doingbusiness.org/malaysia