



Bumiputra

(As of March 2020)

1. Definition

The word “Bumiputra” or “Bumiputera” literally means „son of land“. In the recent past, the term was also used to describe the preference of Malays and Malayan indigenous people in Malaysian politics. The different groups of population, to which the term “Bumiputera” refers, are listed in Article 160 and 161 of the Federal Constitution of Malaysia.

2. Historical Background

The population of Malaysia consists of different ethnical groups, of which the “Bumiputera” are the biggest part of the population with 62%. The remaining 38% are of Chinese and Indian origin as well as other smaller ethnicities. Especially the Chinese population invested a lot of money after Malaysia’s independence of Great Britain. Consequently, they gained a lot of influence on Malaysia’s economy. Due to this the influence of the “Bumiputera” on the economic system of Malaysia got less and less.

The Malaysian government wanted to contradict this development with its Bumiputera-policy. Therefore, Bumiputera were privileged in many areas of daily life, like for example access to educational facilities or when purchasing newly build real estate. The Malaysian government wanted to avoid conflicts between the different groups of population and strengthen the influence of the “Bumiputera” on Malaysia’s economical system.

This special economic policy is also important for foreign investors. In the past, the Malaysian government instructed them, when founding, acquiring or taking over a company in Malaysia, that 30% of the shares have to be held by “Bumiputera”.

Those requirements led to a decline of foreign investments in Malaysia in the past. Therefore, the Malaysian government introduced numerous exemptions of the 30%-rule, especially in the sector of services. In the area of finance and manufacturing there has also been some liberalization. Consequently, foreign investors can incorporate, acquire and take over companies without participation of “Bumiputera”.

3. Restrictions & Exemptions

Initially, there were exemptions of the 30%-rule in the service sector in the following areas: computer, software, data base services, maintenance and repair services; health services, welfare services to old and handicapped people, child day-care services; tourism Services; transport Services, courier Services, rental of cargo vessels; sporting and other recreational services; business services, such as consulting and representation services; telecommunication services; education; environmental services; accounting, taxation; legal Services; architectural and engineering services.



Since 2003, the manufacturing industry has also been excluded from the 30% clause and all barriers to market entry have been removed for (manufacturing) sectors.

Companies listed on the Malaysian stock exchange (Bursa Saham Kuala Lumpur) were originally also required to hold a 30% stake in Bumiputra. This restriction was lifted in 2009 and replaced by other requirements.

4. Status Quo

Since 2009, companies with foreign capital ownership are no longer subject to such an obligation; the same applies to listed companies in Malaysia. However, companies must do their best after an IPO to allocate at least 50% of their publicly issued shares to investors with Bumiputra status.

At present, Bumiputra restrictions play a role especially in the acquisition of real estate and public sector procurement. For example, a certain percentage of new properties in each project has to be sold to Bumiputra. This rule applies regardless of the income class of the buyer. Unsold properties can only be sold to other buyers after a set period.

Many public sector tenders also require the company to be owned by Bumiputra, especially in the energy sector.

Relaxation is still not to be expected in areas that affect national interests and the general welfare.

Disclaimer: This information is intended to provide a general overview on the term Bumiputra and its implications in Malaysia. No responsibility for loss to any person acting or refraining from acting as a result of any information in this overview can be accepted by Malaysian-German Chamber of Commerce and Industry. Recipients should not act on the basis of this information without seeking professional advice of a Malaysian tax agent.