

Contacts

**National Leader -
International Tax**
Etienne Bruson
604-640-3175

**Canadian Desk Leader
Hong Kong**
Chris Roberge
852-285 25627

Atlantic
Brian Brophy
709-758-5234

Quebec
François Chagnon
514-393-7073

Ontario
Mark Noonan
613-751-6688

Tony Maddalena
905-315-5734

Toronto
Dennis Domazet
416-601-6449

Sandra Slaats
416-643-8227

Alberta
Andrew McBride
403-503-1497

Charles Evans
780-421-3884

British Columbia
Brad Gordica
604-640-3344

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International tax alert

Canada-Malaysia tax treaty update

October 16, 2013

On October 6, 2013, the governments of Canada and Malaysia signed a declaration of intent to conclude a new tax treaty. The current tax treaty between the two countries was signed back in 1976. The withholding tax rate for dividends, interest and royalties is 15% under the current treaty, which is high compared to the rates in Canada's more recently concluded tax treaties.

Malaysia has recently become a significant trading partner with Canada. One example is PETRONAS, a Malaysian oil and gas company which has made a multi-billion dollar investment in Canada and has committed to more Canadian investment over the next 30 years. This treaty development serves as a positive indication from the Canadian and Malaysian governments of their intentions to further strengthen economic ties.

There is no official information with respect to the timeline of treaty negotiations. However, we anticipate that the updated tax treaty will contain more favourable terms that will serve to solidify the economic and business relations between Canada and Malaysia.

Please feel free to contact your Deloitte representative if you would like to discuss any concerns or recommendations regarding the pending treaty negotiations.

Chris Roberge, Hong Kong

2 Queen Street East, Suite 1200
Toronto, ON M5C 3G7 Canada

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