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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*

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