

February 2022



# Legislations & Regulatory Framework Governing Supply Chain in Malaysia

## Introduction

A supply chain refers to a chain or network of companies ranging from suppliers to end-users. Logistic service plays an important role in a supply chain where it implements and controls the efficient flow and storage of goods, services and information within and between companies in the supply chain. In this article, we will discuss the relevant legislations and regulatory framework governing supply chain in Malaysia.

## Relevant Legislations

The relevant legal provisions governing supply chain management process in Malaysia are as follows:

### A. Warehousing and Storage Services

A warehouse operator must apply for a warehouse licence from the Local Authority or the Royal Malaysian Customs (“**RMC**”) depending on his warehousing requirements. Section 65 of the Customs Act 1967 empowers the Director General to grant license to any person for warehousing

dutiable goods, subject to the approval of the RMC. There are three (3) types of warehouse licences in Malaysia including Ordinary Warehouse License, Public Bonded Warehouse License and Private Bonded Warehouse License. However, it is important to note that approvals from the relevant government authority or department shall be obtained as part of the requirements prior to application of the warehouse licence.

### B. Land Transport

Companies intending to provide transportation services on land shall obtain commercial vehicle licences from either the Land Public Transport Commission (“**SPAD**”) under Road Transport Department Malaysia (“**JPJ**”) (for Peninsula Malaysia) or Commercial Vehicles Licensing Board (for Sabah and Sarawak). There are two (2) types of commercial vehicle licences under Section 14 of the Commercial Vehicles Licensing Board Act 1987 (“**CVLBA 1987**”) including Carrier Licence A (to provide transportation services to third parties using commercial vehicles) and Carrier Licence C (to provide transportation services for own use).



### C. Sea Carriage

Carriage of goods by sea in ships from any port in Peninsular Malaysia is governed by the Carriage of Goods by Sea Act 1950, whilst for Sabah and Sarawak, the governing act is the Merchant Shipping (Implementation of Conventions Relating to Carriage of Goods by Sea and to Liability of shipowners and Others) Regulations 1960. Ports in Malaysia are governed by the Port Authorities Act 1963 and Ports (Privatisation) Act 1990.

### D. Air Freight

The Carriage by Air Act 1974 governs carriage by air internationally including cargo. It ratifies and gives effect to certain Conventions such as the Warsaw Convention 1929, Guadalajara Convention 1981 and the Montreal Convention 1999. On the other hand, domestic-related carriage of goods is governed by the Carriage by Air (Application of Provisions) Order 1975.

### E. Integrated Logistics Services

Integrated Logistics Services (“**ILS**”) refers to the variety of end-to-end logistics-related service activities such as air, ocean, road and rail transportation, warehousing and other value-added services that make up a total logistics services package. A company or an operator who wishes to undertake ILS businesses must obtain the specific licences from the respective licencing authority or bodies as mentioned above.

The Malaysia Investment Development Authority (“**MIDA**”) supports the growth of companies undertaking ILS activities by offering the ILS incentive and International ILS status. ILS providers may apply to the Ministry of International Trade and Industry for a Pioneer Status or an Investment Tax Allowance which are incentives provided by the Government of Malaysia in accordance with the Promotion of Investments Act 1986.

## F. Companies Act 2016

A person who undertakes to operate any of the services above in Malaysia must incorporate a corporate entity in accordance with Companies Act 2016.

## G. Consumer Protection

Consumer Protection Act 1999 (“**CPA 1999**”) sets out the framework for the protection of consumers’ rights in Malaysia. CPA 1999 provides for the rights against suppliers in respect of guarantees in the supply of goods. In the context of this article, the CPA 1999 protects the end user in the supply chain by guaranteeing a right of redress for the end users.

## Conclusion

The legal provisions above shall be complied by companies providing services related to supply chain management or logistics sector in Malaysia. These companies shall be mindful of the ever-changing legal framework governing supply chain in Malaysia and keep abreast of the regulatory approvals required in conducting their businesses.

## About the Authors



### **Esther Hor**

Partner  
Paul Cheah Associates  
estherhor@pcalaw.com.my  
+603 2201 8000

Esther is a partner in Messrs Paul Cheah Associates who was admitted as an Advocate and Solicitor of the High Court of Malaya in 2012. She has been actively participating as a speaker in webinars hosted by RHT including the RHT CABA ASEAN Summit 2021 where she spoke on the global supply chain.



### **Gan Jer Nynn**

Associate  
Paul Cheah Associates  
jernynn@pcalaw.com.my  
+603 2201 8000

Jer Nynn is an associate in Messrs Paul Cheah Associates who was admitted as an Advocate and Solicitor of the High Court of Malaya in 2019. Since joining the firm in 2020, she works under the guidance of Esther under the Litigation and Dispute Resolution Department.

## About RHTLaw Asia

RHTLaw Asia offers a different perspective on client experience and commercial thinking. As a leading regional law firm headquartered in Singapore, clients can expect intelligent and innovative solutions from a team that is attuned to the nuances of doing business in Asia. With access to our own ASEAN Plus Group, a network of leading firms comprising over 2,000+ lawyers in 16 jurisdictions across Asia and beyond, as well as our membership with The Interlex Group, a global network of leading law firms, we help clients understand the local challenges, navigate the regional complexity to deliver the competitive advantage for their businesses in Asia.

We collaborate closely with the RHT Group of Companies to provide an all-rounded integrated business solution. We believe in pushing the boundaries of what can be achieved for our clients in this evolving marketplace.

**Disclaimer:** ONERHT is an ecosystem of multidisciplinary professional services, which seeks to be a beacon of growth for its clients, stakeholders and communities, empowering them to achieve purposeful growth in Asia and beyond. The ONERHT brand consists of RHTLaw Asia LLP, in collaboration with the RHT Group of Companies.

RHTLaw Asia LLP is a Singapore law practice separately registered as a limited liability law partnership in Singapore. It is part of the ASEAN Plus Group, with presence in 16 jurisdictions. RHT Group of Companies is not an affiliate, branch or subsidiary of RHTLaw Asia LLP nor a Singapore law practice, and is not authorised to provide legal advice. It offers multidisciplinary professional services such as digital financial services, corporate finance and sponsorship, governance risk and compliance, consulting and advisory, sustainability, wealth and asset management, as well as events, training and development.

**Third Party Links:** This publication may contain links to articles on external websites. Please note that the Privacy Policies on our websites do not apply to such external websites and the operations you perform on those websites.

**ONE across Asia**

[www.rhtlawasia.com](http://www.rhtlawasia.com)

Note: This article is only intended for general reading. Under no circumstances is it to be relied upon in substitution for specific advice on any issue(s) that may arise relating to its subject matter.