



DATIN WONG MUH RONG
Managing director of Astramina
Advisory Sdn Bhd

MALAYSIA'S capital market stands at an important cross-roads.

Over recent years, regulators and policymakers have introduced a series of commendable initiatives aimed at broadening participation, improving fundraising accessibility, and strengthening the competitiveness of the domestic capital market ecosystem.

From the Capital Market Masterplan 2026-2030 (CMP4) to reforms surrounding the LEAP Market and alternative fundraising platforms, the direction is clear: Malaysia is aspiring to build a more dynamic, inclusive, and resilient capital market.

These aspirations are both timely and necessary.

However, while policy ambitions remain strong, practical realities suggest that greater attention must now be given to reducing transactional friction, improving regulatory coordination, and enhancing overall ecosystem efficiency.

A capital market does not function through regulations and exchanges alone.

It operates through an interconnected network of issuers, investors, advisers, valuers, lawyers, regulators, financiers and entrepreneurs.

When friction builds within this system, it ultimately affects transaction flow, fundraising appetite, and investor confidence.

Friction in corporate restructuring

One of the more pressing concerns relates to tax and transactional burdens arising from corporate restructuring exercises.

In practice, restructuring is almost always a fundamental necessity.

It is often a compulsory step for operational rationalisation, governance enhancement, succession planning, pre-initial public offering or IPO structuring, or group consolidation.

These steps are frequently prerequisites for companies to become investment-ready or suitable for listing.

Yet, under the current framework, internal restructuring may still trigger capital gains tax, real property gains tax, stamp duties, and other costs – even where there is no substantive change in ultimate beneficial ownership.

This creates unnecessary cash-flow strain and discourages legitimate restructuring aligned with Malaysia's capital market development goals under CMP4.



■ **Internal restructuring can trigger capital gains tax, real property gains tax and other costs**

■ **Upfront stamping costs are still incurred even if there is no eventual deal**

■ **Companies pursue listings when restructuring pathways are commercially viable**

Capital ideas for reform

Property-heavy groups are particularly affected due to limited relief mechanisms for genuine internal reorganisations.

The results are increasingly evident: onerous costs lead to companies delaying or abandoning rationalisation exercises, which would otherwise lead to increased capital market participation.

If Malaysia is serious about having more quality listings and strengthening corporate participation, tax frameworks must clearly distinguish between speculative transactions and authentic and necessary restructuring

undertaken for long-term corporate development.

Transactional inefficiencies in deal execution

Several recurring inefficiencies continue to affect deal execution in Malaysia. One example is the stamp duty imposed on preliminary documents such as letters of engagement and non-disclosure agreements, even when transactions do not proceed.

Exploratory discussions are a normal part of commercial activity. Many transactions fail due to

valuation gaps, financing constraints, or market conditions.

Yet, upfront stamping costs are still incurred even if there is no eventual deal.

Reducing or eliminating such costs would encourage greater deal activity, particularly among SMEs and growth-stage companies.

The need for regulatory harmonisation

In some cases, valuation approaches accepted for Securities Commission-related exercises differ from those applied for stamp duty or tax assessments.

These inconsistencies create uncertainty, complicate transaction planning, and increase the risk of disputes.

Greater harmonisation between regulatory and tax authorities would improve predictability, reduce compliance friction, and enhance market efficiency.

Beyond incentives: Ecosystem efficiency matters

Malaysia's capital market competitiveness cannot rely solely on investor incentives.

Ecosystem efficiency is equally critical.

Investors are attracted to markets that offer clarity, consistency, governance integrity, depth, and ease of execution.

Companies are more likely to pursue listings when restructuring pathways are commercially viable and regulatory processes are predictable.

Conclusion

Capital market development is driven by incremental improvements that collectively strengthen confidence, efficiency and market participation.

The objective should extend to building a capital market ecosystem that is commercially sustainable, internationally competitive, and capable of supporting long-term economic growth.

A key policy priority is to distinguish genuine internal corporate restructuring from speculative transactions, with targeted relief mechanisms to ensure that necessary reorganisations are not unintentionally penalised.

