



2019 Basic tax information in Malaysia

INCOME TAX

Direct taxation in Malaysia is based on the unitary system and the basis of taxation is territorial in nature.

Only income that is accrued or derived from sources in Malaysia is liable to tax. Income from foreign sources is liable to tax to the extent that it has its source of derivation in Malaysia by a resident company.

The basis of assessment of tax is on a current year basis and is self-assessed.

The self-assessment system and the current year basis of assessment require taxpayers to make estimate of tax payable for the current year of tax.

ESTIMATION OF TAX AND PAYMENT OF TAX

Companies are required to furnish their estimate of tax payable in the prescribed form not later than thirty days before the beginning of the basis period for that year of assessment.

The estimate shall not be less than 85% of the estimate of tax payable or revised estimate of tax payable for the immediately preceding year of assessment.

Revisions to the estimate of tax payable for the current year of assessment may be made in the sixth and ninth month of the basis period in the prescribed form.

Tax to be paid shall be made in equal monthly instalments in the basis period of that year of assessment and shall commence in the second month. The due date is the fifteenth day of each month.

Individuals do not have to furnish an estimate of tax payable. The estimate of tax payable will be determined by the

Director General of the Inland Revenue together with the number of tax instalments to be paid. In determining the estimate of tax payable and the number of instalments to be made, consideration will be given to the tax assessed in the year of assessment preceding that year of assessment.

Payment should be made within thirty days of the due date.

An individual may apply in the prescribed form to revise the estimate of tax payable and the number of instalments not later than 30th June in that year of assessment.

FILING OF TAX RETURN, ASSESSMENT AND BALANCE OF TAX PAYABLE

Companies must file their income tax return and pay the balance of tax payable for the current year of assessment not later than the seventh month after the end of the basis period.

Individuals must file their income tax return and pay the balance of tax payable for the current year of assessment not later than 30th April (without business income) or 30th June (with business income) of the following year. The basis year for individuals is the calendar year.

The income tax return filed shall be deemed to be the notice of assessment for that year of assessment.

Effective from Year of Assessment 2014, individuals whose total income tax is equivalent to the amount of monthly tax deduction made in the assessment year are no longer required to submit tax returns. The amount of monthly tax deduction is considered as the final tax paid.

INDIVIDUAL**INCOME TAX RATES**

	Chargeable Income RM	Tax Rate %	Tax Payable RM
First	5,000		0
Next	5,000	1	50
On	10,000		50
Next	10,000	1	100
On	20,000		150
Next	15,000	3	450
On	35,000		600
Next	15,000	8	1,200
On	50,000		1,800
Next	20,000	14	2,800
On	70,000		4,600
Next	30,000	21	6,300
On	100,000		10,900
Next	50,000	24	12,000
On	150,000		22,900
Next	100,000	24	24,000
On	250,000		46,900
Next	150,000	24.5	36,750
On	400,000		83,650
Next	200,000	25	50,000
On	600,000		133,650
Next	400,000	26	104,000
On	1,000,000		237,650
Exceeding	1,000,000	28	

INCOME TAX REBATES

Rebate given to resident individual whose chargeable income not exceeding RM35,000	RM 400
Additional rebate for wife <ul style="list-style-type: none"> If she does not elect for separate assessment or has no income or elects for combined assessment with husband 	400
Additional rebate for husband <ul style="list-style-type: none"> If he has no income or elects for combined assessment with wife 	400
Rebate given to wife if she elects for separate assessment or does not elect for combined assessment	400

INCOME TAX REBATE FOR ZAKAT, FITRAH OR ANY OTHER ISLAMIC RELIGIOUS DUES

Full rebate in respect of zakat, fitrah or any other Islamic religious dues paid.

INDIVIDUAL – continued**PERSONAL RELIEFS**

Type of Relief	RM
Taxpayer - resident	9,000
Medical expenses for parents (Maximum)	5,000
Medical expenses for taxpayer, spouse and children on serious diseases (including RM500 for medical examination expenses) (Maximum)	6,000
Disabled person:	
• Taxpayer	6,000
• Spouse	3,500
Supporting equipment for disabled taxpayer, spouse, children or parent (Maximum)	6,000
Wife – if she has no source of income in or outside Malaysia or elects for combined assessment	4,000
Husband – if he has no source of income in or outside Malaysia or elects for combined assessment	4,000
Children (unmarried):	
• Per child below the age of 18 years	2,000
• Disabled child	6,000
• Per child at the age of 18 years and above	
- Receiving full-time education (“A-Level”, certificate, matriculation or preparatory courses)	2,000
- Overseas universities, colleges or similar establishments (degree level and above)	8,000
- Local universities, colleges or similar establishments (diploma level and above)	8,000
- Disabled child pursuing tertiary education	8,000
Life insurance premiums (Maximum)	3,000
Approved provident fund (i.e. EPF) (Maximum)	4,000
Private retirement scheme / Deferred annuity premium (Maximum)	3,000
Medical / education insurance (Maximum)	3,000
Education fees for acquiring technical, vocational, industrial, scientific, technological, law, accounting, Islamic financing, skills or qualifications at tertiary level or any course of study at post graduate level (Maximum)	7,000
Lifestyle expenses (Maximum)	2,500
• Purchase of books / journals / magazines / printed newspapers / other similar publications	
• Purchase of personal computer / smartphone / tablet	
• Purchase of sports equipment	
• Monthly bill for internet subscription	
Amount deposited into Skim Simpanan Pendidikan Nasional for his child (Maximum)	8,000
Parental care	
• Father	1,500
• Mother	1,500
SOCSO (Maximum)	250
Breastfeeding equipment (Maximum)	1,000
Fees paid to childcare centres and kindergartens (Maximum)	1,000

INDIVIDUAL – continued**BENEFITS-IN-KIND AND PERQUISITES FROM EMPLOYMENT**

Benefits-in-kind and perquisites from employment are taxable and the Malaysian Inland Revenue Board has issued Public Rulings on the tax treatment of benefits-in-kind, living accommodation, leave passage, entertainment, 'key-man' insurance and perquisites from employment.

COMPANY**INCOME TAX RATES**

Resident company with paid up capital of RM2.5 million and below at the beginning of the basis period on first RM500,000 chargeable income	17%
On subsequent chargeable income	24%
Resident company with paid up capital above RM2.5 million at the beginning of the basis period	24%

TRANSFER PRICING

The Director General of Inland Revenue is empowered to make adjustments on transactions of goods and services carried out between related companies based on arm's length principle. Transfer Pricing Guidelines 2012 have been issued to provide guidance to the taxpayers.

It is mandatory to prepare contemporaneous transfer pricing documentation but there is no statutory requirement for an annual filing of documentation. However, taxpayers are required to indicate on their income tax return whether transfer pricing documentation has been done and are expected to submit the transfer pricing documentation on a timely manner upon request from the Director General of Inland Revenue.

Tax adjustments as a result of a transfer pricing audit are subject to penalty with the following penalty rates applicable:

No contemporaneous transfer pricing documentation	35%
Transfer pricing documentation prepared not according to requirement in the guidelines	25%

LOAN OR ADVANCES TO DIRECTOR

If a company provides any loans or advances from its internal funds to its directors, the company shall be deemed to derive interest income from such loans or advances.

COMPANY – continued**TAX TREATMENT ON CONTROLLED TRANSACTIONS AND TRANSACTIONS BETWEEN RELATIVES – DIRECTORS FEES**

Effective from year of assessment 2015, a person entitled to receive any gross income (other than gross income from a business and in respect of dividend) from a Malaysian source and where such amount first becomes receivable to the person in the relevant period arising from transactions between:

- a) persons one of whom has control over the other,
- b) individuals who are relatives of each other, or
- c) persons both of whom are controlled by some other persons,

shall be deemed to be obtainable on demand in the following basis period and be treated as gross income in the following basis period.

A “relative” means a parent, a child (including stepchild and a child adopted in accordance with any law), a brother, a sister, an uncle, an aunt, a nephew, a niece, a cousin, an ancestor or a lineal descendent.

“Transaction” means as any trust, grant, covenant, agreement, arrangement or other disposition or transaction made or entered into orally or in writing (whether before or after the commencement of the Income Tax Act, 1967), and includes a transaction entered into by two or more persons with another person or persons.

TIME LIMIT FOR UNABSORBED LOSSES / REINVESTMENT ALLOWANCE / INVESTMENT ALLOWANCE

Effective from year of assessment 2019, the following unabsorbed losses and allowances are only allowed to be carried forward for a maximum of **7 consecutive years of assessment**:

Unabsorbed balances	Time limit
Unabsorbed business losses	7 consecutive years of assessment from the year of assessment in which the loss is generated.
Unabsorbed reinvestment allowance (RA)	7 consecutive years of assessment upon expiry of qualifying period.
Unabsorbed investment allowance for service sector (IA)	7 consecutive years of assessment upon expiry of qualifying period.
Unabsorbed pioneer losses	7 consecutive years of assessment from the end of the pioneer period.

OTHERS**INCOME TAX RATES**

Non-resident person (other than companies)	28%
Non-resident company	24%
Trust body	24%
Cooperative society – scale rates	Maximum of 24% (Amounts above RM750,000)
Limited liability partnership	Same as company

CONCESSIONARY RATES APPLY TO THE FOLLOWING CATEGORIES

Knowledge workers in Iskandar Malaysia	15%
Returning Expert Programme	15%

REAL PROPERTY GAINS TAX RATES

Disposal of real property	Rates %		
	Companies	Individuals (Citizens & PR)	Individuals (Non-citizens)
Within 3 years	30	30	30
In the 4 th year	20	20	30
In the 5 th year	15	15	30
In the 6 th year and subsequent years	10	5	10

Exemptions are available under certain circumstances.

OTHERS - continued

WITHHOLDING TAX RATES

Reference	Chargeable Person	Types of income	Tax Rates
S109 ITA 1967	Non-resident person	Interest	15%
S109 ITA 1967	Non-resident person	Royalties	10%
S109A ITA 1967	Non-resident person	Remuneration of public entertainer	15%
S109B ITA 1967	Non-resident person	Technical fee and installation fee for services performed in Malaysia and rent of moveable property	10%
S107A ITA 1967	Non-resident person, contractor, consultant or professional	Service portion of contract payments	13% (10% and 3%)
S109D ITA 1967	Resident and non-resident individuals including resident entities (other than resident companies)	Distribution of income by Real Estate Investment Trust/ Property Trust Fund	10%
	Foreign institutional investor		10%
	Non-resident company investor		24%
S109E ITA 1967	Non-resident company participants	Distribution of profits by a takaful operator	25%
	Other participants (excluding resident company)		8%
S109F ITA 1967	Non-resident	Other gains or profits under Section 4(f) ITA 1967	10%
S109G ITA 1967	Individual	Contributions withdrawn from a deferred annuity or a Private Retirement Scheme before reaching the age of 55 (other than by reason of permanent total disablement, serious disease, mental disability, death or permanently leaving Malaysia)	8%

Note: Concessionary rates may apply where there is a double tax agreement between Malaysia and the country in which the taxpayer is resident for tax purposes.

OTHERS – continued**STAMP DUTY RATES**

Description of instrument/subject	Duty payable
Conveyance, assignment or transfer: <ul style="list-style-type: none"> • Properties • Stock, shares or marketable securities 	1% on the first RM100,000 2% on the next RM400,000 3% on the next RM500,000 4% on the excess over RM1m 0.3%
Charge or mortgage (including that under the Syariah), bond, covenant, debenture (not being a marketable security): <p>a) Being the principal security (except in certain instances) in respect of:</p> <ul style="list-style-type: none"> • Foreign currency loans or Syariah financing in foreign currency • Any other case (other than loans for small and medium enterprise) • Loan for the purposes of small and medium enterprise approved by the Minister of Finance <ul style="list-style-type: none"> - for an amount not exceeding RM250,000 of the aggregate loans or of the aggregate financing under the Syariah in a calendar year - for each additional RM1,000 not exceeding RM1,000,000 - for each additional RM1,000 or part thereof <p>b) Transfer, assignment or disposition of any charge or mortgage, bond, covenant or debenture (not being a marketable security)</p>	0.5% subject to a maximum of RM500 0.5% 0.05% 0.25% RM5.00 2/5 of the duty which would be chargeable or a charge or mortgage for the amount transferred
Constitution of a company	RM200
Share warrant or stock certificate to bearer	1% of the nominal value of the shares or stock specified in the warrant
Lease for movable properties	0.5%
Loan agreement (local currency)	0.5%
Loan agreement (foreign currency)	0.5% subject to a maximum of RM500
Contract notes (shares)	0.1%
Service agreements	0.1%
Liquidation	RM10

OTHERS – continued

STAMP DUTY RATES – continued

Description of instrument/subject	Duty payable
Agreement for lease of immovable property (without fine or premium) and for securing the payment for provision of services or facilities or to other matters or things in connection with a lease (eg service charge): <ul style="list-style-type: none"> (i) average rent per year and other considerations not exceeding RM2,400 (ii) average rent per year exceeding RM2,400 and with a lease period: <ul style="list-style-type: none"> - less than 1 year - 1–3 years - over 3 years 	NIL 0.4% in excess of RM2,400 0.8% in excess of RM2,400 1.6% on the excess over RM2,400
Absolute sale of account receivables or book debts to a bank, merchant bank or borrowing company in Malaysia approved by the Minister of Finance, pursuant to a factoring agreement	RM10
Letter of allotment	RM10
Letter of renunciation (provided that it is not on sale, by way of security and by way of gift)	RM10
Promissory note	RM10
Transfer of property between trustees where the beneficial interest in the property does not pass	RM10
Hire-purchase agreement	RM10
Agreement for the sale of goods, wares or merchandise	Exempt
Transfer of units of a unit trust	Exempt
Transfer or assignment for the sale of any copyright, trademark, patent or any similar right	Exempt
Insurance policy	Exempt
Loan or financing pursuant to a micro financing scheme	Conditionally exempt
Loan or financing instruments in relation to the Professional Service Fund	Conditionally exempt

The above stamp duty rates are only for guidance and are not exhaustive. Exemption of stamp duty is given on certain instruments and documents.

You may wish to contact the Malaysian Inland Revenue Board on all matters in respect of the administration of the income tax, real property gains tax and stamp duty legislation. Information on the legislation, guidelines and public rulings can be found on the official portal of the Malaysian Inland Revenue Board at <http://www.hasil.gov.my>.



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