Worldwide personal tax guide 2024-2025

Going to/leaving Malaysia

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Local information	
Tax authority	The Inland Revenue Board of Malaysia (IRBM)
Website	www.hasil.org.my
Tax year	1 January to 31 December
Tax return due date	30 April (or 30 June if individual has business income)
Is joint filing possible	Yes
Are tax return extensions possible	No

2024 Income Tax Rates for Residents

Taxable Income Band MYR	Tax Rate
0-5,000	0%
5,001-20,000	1%
20,001-35,000	3%
35,001-50,000	6%
50,001-70,000	11%
70,001-100,000	19%
100,001-400,000	25%
400,001-600,000	26%
600,001-2,000,000	28%
2,000,001 +	30%

Non-residents are subject to withholding taxes on certain types of income. Other income is taxed at a rate of 30%.

If a Malaysian or foreign national "knowledge worker" resides in the Iskandar Development Region and is employed in certain qualifying activities by a designated company and if their employment commences on or after 24 October 2009 but not later than 31 December 2022, the worker may apply to be subject to tax at a reduced rate of 15%. The individual must not have derived any employment income in Malaysia for at least three years before the date of the application.

Similarly, employment income earned by an individual who is a knowledge worker (Malaysian citizen or foreign national) residing within the East Coast Economic Region (ECER) and is employed in any business activity carried out within the Malaysia China-Kuantan Industrial Park by a designated company is taxed at 15% of his or her chargeable income from 1 January 2022. The above applies to a qualified person who has been granted approval by the Minister on an application made on or after 1 January 2022 but not later than 31 December 2024. It is a requirement that the qualified person has not derived employment income from a designated company in ECER for at least two years or other period as determined prior to the application of this incentive.

Malaysian professionals returning from abroad to work in Malaysia would be taxed at a rate of 15% for the first five consecutive years following the professional's return to Malaysia under the Returning Expert Programme (REP).

Who is liable?

Malaysian residents are subject to Malaysian tax on Malaysian-source income and foreign-source income remitted into Malaysia. However, for the period from 1 January 2022 to 31 December 2026, conditional tax exemptions apply to foreign income received by a tax resident in Malaysia, excluding any source of income from a partnership business in Malaysia.

Non-residents are subject to tax on Malaysian-source income only.

Residence status for tax purposes

Individuals are considered resident in any of the following circumstances:

- They are physically present in Malaysia for 182 days or more during the calendar year.
- They are physically present in Malaysia for less than 182 days during the calendar year but are physically present in Malaysia for at least 182 consecutive days in the second half of the immediate preceding calendar year or in the first half of the immediate following calendar year. Periods of temporary absence are considered part of a period of consecutive presence if the absence is related to the individual's service in Malaysia, personal illness, illness of an immediate family member or social visits not exceeding 14 days.

The content of this document was updated in April 2025. The content is next expected to be updated in April 2026.

- They are present in Malaysia during the calendar year for at least 90 days and have been resident or present in Malaysia for at least 90 days in any three of the four preceding years.
- They have been resident for the three preceding calendar years and will be resident in the following calendar year. This is the only case in which an individual may qualify as a resident even though they are not physically present in Malaysia during a particular calendar year.

For the purposes of determining residence, presence during part of a day is counted as a whole day.

Income subject to tax

Employment income — Gross income from employment includes wages, salary, remuneration, leave pay, fees, commissions, bonuses, gratuities, perquisites or allowances (in money or otherwise) arising from employment.

An individual employed in Malaysia is subject to tax on income arising from Malaysia, regardless of where the employment contract is signed or the remuneration is paid. Gross income also includes income for any period of leave attributable to employment in Malaysia and income for any period during which the employee performs duties outside Malaysia incidental to the employment in Malaysia.

Employee benefits and amenities not convertible into money are included in employment income.

Short-term visitors to Malaysia enjoy a tax exemption on income derived from employment in Malaysia if their employment does not exceed any of the following periods:

- A period totalling 60 days in a calendar year
- A continuous period or periods totalling 60 days spanning two calendar years
- A continuous period spanning two calendar years, plus other periods in either of the calendar years, totalling 60 days

The Principal Hub incentive scheme allows multinational companies to enjoy several benefits including hiring expatriates based on their business requirements.

Self-employment and business income — All profits accruing in Malaysia are subject to tax. Remittances of foreign-source income into Malaysia by tax residents of Malaysia were not subject to Malaysian income tax until 31 December 2021. For the period from 1 January 2022 to 31 December 2026, conditional tax exemption applies to foreign income received by a person resident in Malaysia, excluding any source of income from a partnership business in Malaysia.

Income from any business source is subject to tax. A business includes a profession, a vocation or a trade, as well as any associated manufacture, venture or concern.

Contract payments to non-resident contractors are subject to a total withholding tax of 13% (10% for tax payable by the non-resident contractor and 3% for tax payable by the contractor's employees).

Income derived in Malaysia by a non-resident public entertainer is subject to a final withholding tax at a rate of 15%.

Individuals may only carry forward business losses for a period of 10 consecutive years of assessment commencing immediately from the year losses arise.

Investment income — Interest income received by individuals from monies deposited in approved institutions is exempt from tax.

Other interest, royalties and rental income are aggregated with other income and taxed accordingly. As a result of the single-tier tax system, dividends received by individuals are generally exempt from tax.

Certain types of income derived in Malaysia by non-residents are subject to final withholding tax at the following rates:

Type of income	Rate
Use of movable property	10%
Technical advice, assistance or services	10%
Installation services on the supply of plant, machinery and similar assets	10%
Personal services associated with the use of intangible property	10%
Royalties for the use or conveyance of intangible property	10%
Interest	15%

Directors' fees — Directors' fees are considered employment income; therefore, fees derived from Malaysia are taxable. Fees are deemed to be derived from Malaysia if the company is resident in Malaysia for the year of assessment. If the fees are derived from a country other than Malaysia, they are not taxed. Remittances of foreign-source income into Malaysia by tax residents of Malaysia are not subject to Malaysian income tax until 31 December 2021. For the period from 1 January 2022 to 31 December 2026, conditional tax exemptions apply to foreign income received by a person resident in Malaysia, excluding any source of income from partnership business in Malaysia.

Employer-provided stock options — Tax legislation governs the taxation of employer-provided stock options. Under the tax legislation, employer-provided stock options are subject to tax as employment income. The taxable income is calculated based on the difference between the fair market value of the underlying stock at the exercise date or exercisable date, whichever is lower, and the option price. This amount is recognised at the time the option is exercised, and is taxed as current-year income.

Capital gains

In general, capital gains are not taxable. However, gains derived from the disposal of real property located in Malaysia and gains derived from the sale of shares in closely controlled companies with substantial real property interests are subject to real property gains tax (RPGT).

Capital gains derived from disposals of chargeable assets by individuals who are Malaysian citizens and permanent residents are subject to tax at the following rates:

- 30% for a holding period up to three years
- 20% for a holding period exceeding three years and up to four years
- 15% for a holding period exceeding four years and up to five years
- 0% for a holding period exceeding five years

Malaysian citizens or permanent residents who dispose of chargeable assets are not subject to RPGT when the disposal takes place after a holding period exceeding five years.

Malaysian citizens and permanent residents are entitled to elect a one-time RPGT exemption on the disposal of a private residence.

Individuals who are not Malaysian citizens are subject to RPGT at a rate of 30% for a holding period up to five years and 10% for a holding period exceeding five years.

Other taxes

Malaysia does not impose estate, gift or net worth taxes.

Social security

Employer and employee contributions to the Social Security Organisation (SOCSO) of Malaysia are compulsory for Malaysian citizens only. Various rates are specified for these contributions. Employers that hire foreign workers (excluding domestic servants) are required to register their employees with SOCSO and contribute to the Employment Injury Scheme. The employer incurs a 1.25% charge calculated on the worker's salary and other compensation, capped at MYR49.40 for wages exceeding MYR4,000. The contributions for a month are due by the 15th day of the following calendar month.

In addition, effective from 1 July 2024, employers are also required to contribute to the SOCSO (both employer's and employee's portion) for foreign workers, including expatriates and foreign domestic workers, and make monthly contributions on their behalf based on the prescribed schedule issued.

Employees who are Malaysian citizens are required to contribute to the Employees' Provident Fund (EPF). The EPF is a statutory savings scheme to provide for employees' old-age retirement in Malaysia.

Under the Employees' Provident Fund Act 1951, all employers and employees are required to make monthly contributions to the EPF.

The statutory contribution rate is 23% or 24% of monthly wages. The employer pays at rate of 12% if the employee's monthly wages are above MYR5,000 per month or 13% if the employee's monthly wages are below MYR5,000 per month. The employee contributes 11% of monthly wages. For employees aged 60 years and above, employers are required to contribute at a rate of 4% of the employee's monthly wages while no contribution is required from the employee.

Employees' contributions are deducted at source. No ceiling applies to the amount of wages subject to EPF contributions. Non-Malaysian citizens and non-Malaysian permanent residents are not required to contribute to the EPF, but may elect to contribute to take advantage of the available tax relief.

Self-employed persons may elect to contribute to the EPF. The individual may make voluntary contributions at a fixed monthly rate of any amount up to MYR5,000.

Tax filing and payment procedures

A self-assessment system of taxation for individuals is in effect in Malaysia. A notice of assessment is deemed served on the submission of the tax return to the tax authorities. An appeal must be filed within 30 days from the date of the deemed notice of assessment (that is, within 30 days of the date of submission of the tax return).

An individual arriving in Malaysia who is subject to tax in the following year of assessment must notify the tax authorities of chargeability within one month after arrival.

Non-residents who are subject to final withholding taxes do not need to file tax returns unless requested to do so by the tax authorities.

For employees, tax payment is made through mandatory monthly withholdings under the Monthly Tax Deduction Scheme (MTDS). All employers must deduct tax from cash remuneration, which includes, salaries, overtime payments and commissions. Benefits-in-kind (BIK) and the value of living accommodation (VOLA) are subject to the MTDS. The date for payment of the taxes withheld to the tax authorities is the 15th day of the following calendar month. Employers must withhold tax at a rate of 30% from wages, BIK and VOLA paid to non-resident employees.

Taxpayers have the option to treat the amount of the monthly tax deduction as the final tax paid. If they exercise this option, they are not required to submit their annual income tax returns. However, this applies only if certain conditions are fulfilled.

Tax treaties

Malaysia has entered into double tax treaties with 77 countries, one of which is not yet in force at the time of writing.

Under the treaties, a foreign tax credit is available for the lesser of Malaysian tax payable on the foreign income or the amount of foreign taxes paid. For non-treaty countries, the foreign tax credit available is limited to one-half of the foreign tax paid. Resident person and if the remuneration paid for the services is not directly deductible from the income of a permanent establishment in Malaysia.

Agreements with some countries provide for reduced withholding taxes under certain conditions.

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