



Tax FAQs

Malaysia



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General Malaysia tax queries

1. What is the basis of taxation in Malaysia?

Malaysia adopts a territorial scope of taxation in that all income accruing in or derived from Malaysia or received in Malaysia from outside Malaysia is subject to Malaysian income tax.

2. Do I need to file a Malaysian income tax return?

Regardless of an individual's Malaysian tax residence status, if the individual accrues or derive any of the following sources of income from Malaysia, the individual has a tax filing obligation in Malaysia:

- ▶ Gains or profit from a business
- ▶ Gains or profit from employment
- ▶ Dividends, interest or discounts (excluding dividends from an individual's investment in shares in Malaysia and interest on money deposited in approved institutions, which include all licensed banks and financial institutions in Malaysia as the interest is tax exempt. Interest received by an individual from certain types of bonds or securities is also exempt from tax.)
- ▶ Rent, royalties or premiums
- ▶ Pensions, annuities, or other periodic payments
- ▶ Gains or profit not considered in any of the previous points

3. Are there any tax implications of receiving or remitting foreign sourced income (FSI) into Malaysia?

Income derived from sources outside Malaysia that is received in or remitted into Malaysia by tax resident individuals is eligible for a conditional tax exemption from 1 January 2022 to 31 December 2036. This conditional tax exemption does not apply to tax resident individuals who receive FSI from a partnership business in Malaysia.

FSI that is received by non-resident taxpayers remain exempted from tax in Malaysia regardless of the FSI being received in Malaysia.

4. Do I need to register for a Tax Identification Number (TIN) in Malaysia?

You are required to register for a TIN either through e-Daftar at <https://mytax.hasil.gov.my> or your employer may obtain a TIN for you upon submission of your Form e-CP22 if you are:

- ▶ An individual of single marital status, who receives employment income exceeding RM34,001 in the year
- ▶ A married individual with a spouse that does not derive any source of income, who receives employment income exceeding RM46,001 in the year
- ▶ An individual who runs a business, even if the business suffers a loss
- ▶ An individual who is assessable and chargeable to tax regardless of the income source in Malaysia

Effective 1 January 2021, all Malaysian citizens will be automatically assigned a TIN upon reaching the age of 18.

5. How can I submit my Malaysian income tax return form?

There are two (2) methods available to individual taxpayers to submit the Malaysian income tax return form:

- ▶ Online through the e-Filing platform via the MyTax system at <https://mytax.hasil.gov.my>; or
- ▶ Manually by downloading the tax return form from the MIRB's website and submitting the completed tax return form to the Tax Information and Record Management Division or the MIRB branch office holding your tax file.

6. What are the standard types of tax return forms used to declare income in Malaysia?

The following are the standard tax return forms for individual taxpayers:

- ▶ Form BE: For resident individuals with employment and/or passive income and who do not carry-on a business
- ▶ Form B: For resident individuals who do carry on a business and has other sources of income
- ▶ Form M: For non-resident individuals

7. What are the Malaysia tax year dates, filing and tax payment deadlines?

The tax year in Malaysia follows the calendar year, i.e., 1 January to 31 December.

The deadline for filing a Malaysian individual tax return and for settling any balance of tax payable (after accounting for any tax paid in advance during the year, such as Monthly Tax Deduction (MTD) from employment) are as follows:

- ▶ Individuals with employment and/or passive income only (Form BE/M):
30 April following the end of the tax year
- ▶ Individuals with business income (Form B/M):
30 June following the end of the tax year

8. Should I expect to receive a notice of tax assessment from the MIRB after filing an income tax return?

Malaysia adopts a self-assessment system (SAS), which means that a taxpayer is required by law to determine their own taxable income, compute the chargeable income tax, submit the income tax return form, and settle the tax payment for the tax year concerned.

Under SAS, the income tax return form submission is deemed to be the final assessment made. Hence, a notice of assessment will not be issued by the MIRB.

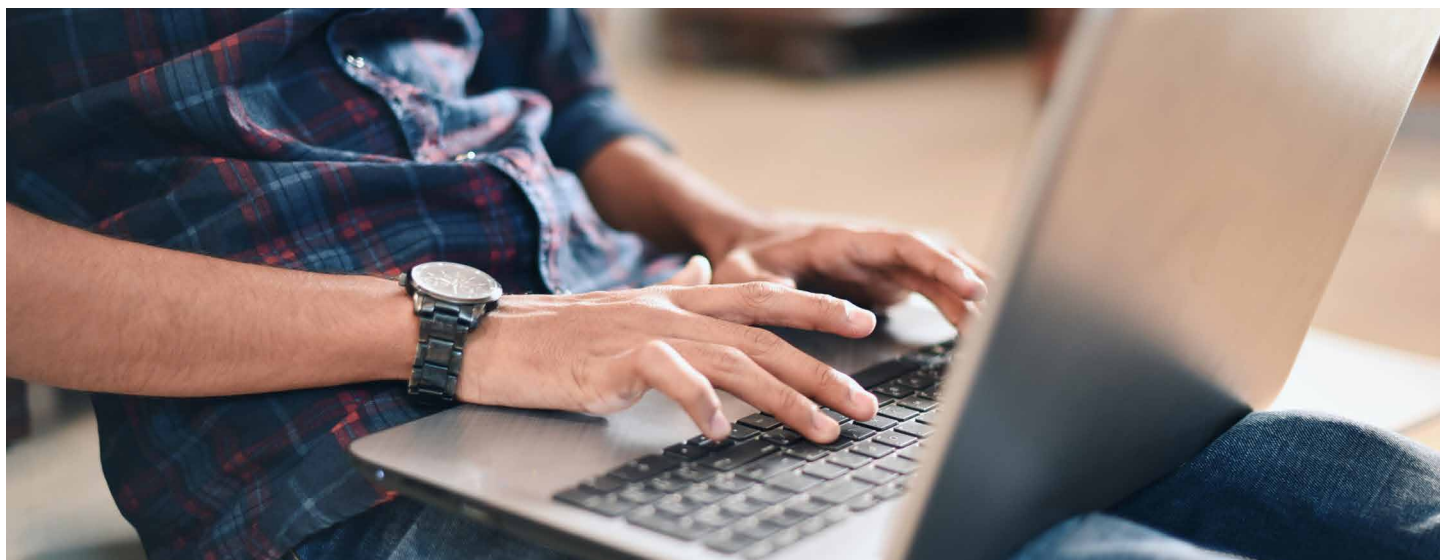
An exception to this is if an income tax return was filed in advance of the tax year end. Under this circumstance, the MIRB will issue a notice of assessment (Form J) for said year of assessment.

9. Am I required to retain the submitted income tax return and records related to the income tax filing?

Under SAS, every individual is required to keep and retain sufficient records to substantiate the tax residence status, income, expenses, and reliefs claimed in the income tax return for a minimum of seven (7) years from the date of submission of the tax return or until an appeal is finalised.

The consequences of not keeping proper records are as follows:

- ▶ The MIRB will use its best judgement to make an assessment; and
- ▶ Upon prosecution and on conviction, liable to a fine (between RM300 and RM10,000), or 12 months imprisonment, or both.



Tax Residency

10. How is my tax residence status determined in Malaysia?

Malaysian tax residence status is determined based on an individual's physical presence in Malaysia and is assessed on an annual basis. It is not impacted by an individual's citizenship or permanent residence status.

Generally, an individual may qualify as a Malaysian tax resident for a tax year if any one of the following scenarios pursuant to Section 7(1) of the MITA applies to the individual circumstance for the year:

- a) Physically present in Malaysia for a period of 182 days or more in the year of assessment
- b) Physically present in Malaysia for less than 182 days during the year of assessment and:
 - ▶ Was present in Malaysia for a period of 182 consecutive days in the immediate preceding year either:
 - ▶ From *2 July to 31 December of the immediate preceding year* (if the individual was physically present in Malaysia on 31 December of the immediate preceding year and on 1 January of the current tax year)
 - Or
 - ▶ From *2 July of the immediate preceding year to the first day of entry into Malaysia in the year of assessment* (if the individual was absent from Malaysia on 31 December of the immediate preceding year and on 1 January of the current tax year)
 - Or
 - ▶ Was present in Malaysia for a period of 182 consecutive days in the immediate following year either:
 - ▶ From *1 January to 1 July of the immediate following year* (if the individual was physically present in Malaysia on 31 December of the current tax year and 1 January of the immediate following year); or
 - ▶ From *the last date of exit from Malaysia (of the current tax year) to 1 July of the immediate following year* (if the individual was absent from Malaysia on 31 December of the current tax year and 1 January of the immediate following year)

- c) Physically present in Malaysia for *90 days or more* during the year of assessment *and* meets either one of the following conditions for any three of the four immediate preceding years of assessment:
 - ▶ Was a tax resident for each of the any three years of assessment; or
 - ▶ Was physically present in Malaysia for 90 days or more in each of the any three years of assessment
- d) Was a tax resident for each of the immediate preceding three years of assessment and is a tax resident for the year immediately after the year of assessment

Note:

Temporary absence from Malaysia due to the following reasons shall be taken to form part of the 182 consecutive days:

- ▶ Absence due to business matters in relation to the Malaysian employment or attending conferences or seminars or studying abroad
- ▶ Absence owing to ill-health involving the individual or a member of their immediate family
- ▶ Absence in respect of social visits not exceeding a total of 14 days

11. What are the common documents that may be requested by the MIRB for the verification of tax residence status?

- ▶ Schedule of Days-In-Days-Out of Malaysia
- ▶ Original passport(s) that contains entry and exit immigration stamps
- ▶ Supporting boarding pass or travel itinerary in absence of entry and/or exit immigration stamps in original passport(s)
- ▶ Travel records from the Immigration Department of Malaysia (MID)

The above list is not exhaustive and the MIRB reserves the right to request for additional supporting documents to substantiate an individual's physical presence in Malaysia where necessary.

12. Is it possible to be a tax resident in more than one jurisdiction?

It is possible for an individual to be a tax resident in more than one jurisdiction at the same time depending on how tax residence is determined in the respective jurisdictions.

However, it is important to note that the tax residence status does not impact the territorial scope of taxation and the obligation for an individual to file a tax return in Malaysia. It may, however, impact the eligibility of an individual to claim certain tax exemptions or claim foreign tax credit (FTC) relief.

For Common Reporting Standard (CRS) purposes, in the event if an individual is a tax resident in more than one jurisdiction, the tie breaker rules per the Double Taxation Agreement (DTA) between Malaysia and the other country in question should apply.

13. Is it possible to be taxed on the same income in different jurisdictions?

It is possible for the same income to be double taxed if said income is subject to tax in Malaysia, while also being subject to tax in a foreign jurisdiction that:

- ▶ Considers worldwide taxation; or
- ▶ Considers said source of income to be taxable under their domestic tax legislation.

In the event the same income is double taxed, the individual taxpayer should consider whether there is a DTA in place between the jurisdictions in question. If there is a DTA in place, the individual may be able to exempt certain income or gains from being taxed in one of the jurisdictions under specific DTA Articles, subject to the terms of the relevant DTA.

Alternatively, there may be an avenue to reduce the impact of double taxation through the claim of foreign tax credit (FTC) relief on the foreign taxes that have been paid on the same income. The claim of FTC relief is subject to the individual taxpayer meeting the relevant conditions, such as qualifying as a tax resident.



Even if the relevant conditions are met, the tax exemption or claim of FTC relief is not automatically granted and the individual taxpayer is still required to submit a Malaysian income tax return.

Further information on the DTAs that are currently in effect in Malaysia is accessible at <https://www.hasil.gov.my/en/international/double-taxation-agreement>.

Rental income

14. How is my rental income taxed in Malaysia?

Rental income received for the letting out of properties in Malaysia is taxable in Malaysia regardless of the tax residence status of the owner.

Tax would be charged on the taxable rental profit, which is determined as rental income less any allowable rental deductions. In the case where the property is owned jointly, the taxable rental profit is split based on the property ownership percentage for tax reporting purposes.

Generally, rental income is regarded as a non-business source of income and is charged to income tax under Section 4(d) of the Malaysian Income Tax Act 1967 (MITA).

Where the property concerned is managed and let in a systematic or organised manner as well as maintenance and support services are actively and comprehensively provided, the letting can be regarded as carrying on a business and the income from the letting can be charged to tax under Section 4(a) of the MITA.



15. What expenses can be claimed as a rental deduction?

Where an expense is wholly and exclusively incurred in the production of the gross rental income, it is an allowable rental deduction provided the expense is:

- ▶ Not 'capital' in nature; and
- ▶ Deduction is limited to expenses made or related to the period the property is rented

Examples of allowable rental deductions include:

- ▶ Annual assessment paid to the local authority
- ▶ Quit rent paid to the land office
- ▶ Interest paid on loans taken to finance the purchase of the real property that is rented out
- ▶ Fire insurance premiums paid in relation to the rented property
- ▶ Rent collection fees and legal expenses incurred to enforce rent collection
- ▶ Expenses to renew a tenancy agreement or to change a tenant
- ▶ Repair expenses incurred to maintain the rented real property in a condition or state that can be rented out

Real Property Gains Tax (RPGT)

16. Are there any Capital Gains Tax (CGT) in Malaysia?

Historically, there is no capital gains tax in Malaysia except for RPGT which is levied on gains arising from the disposal of any real property located in Malaysia or shares in a real property company ("RPC") in Malaysia.

However, with effect from 1 January 2024, gains or profits from:

- ▶ Disposal of shares of a company incorporated in Malaysia not listed on the stock exchange ('unlisted shares').
- ▶ Disposals of shares in 'controlled companies' incorporated outside Malaysia where the value is substantially derived directly or indirectly from real property in Malaysia ('Section 15C shares').
- ▶ Disposals of capital assets arising from outside Malaysia for which the proceeds are received in Malaysia by a resident ('foreign capital assets').

Will be subject to capital gains tax, where the disposer is a company, limited liability partnership, trust body or co-operative society as defined under the Malaysian Income Tax Act 1967 ('MITA'). Please note that other categories of taxpayers, such as individuals, would not be subject to capital gains tax but continue to be subject to the provisions of RPGT.

The applicable CGT rates are as follows:

	Share acquisition date	CGT rate
Unlisted shares Section 15C shares	Prior to 1 January 2024	Taxpayer can elect to pay CGT at: <ul style="list-style-type: none">▶ 10% of net gain; or▶ 2% of gross disposal value.
	From 1 January 2024	10% of net gains.
Foreign capital assets	-	Prevailing income tax rate on gains received in Malaysia (e.g., 24% for companies).

Please note that CGT exemptions may be available in relation to gains from disposals of unlisted shares as part of an approved initial public offering or intragroup restructuring exercise if certain conditions are met. It is recommended that you seek professional tax advice if this is relevant to you.

17. How is an individual taxed in relation to RPGT?

Regardless of an individual's Malaysian tax residence status, RPGT is charged on gains accrued from the disposal of the following (non-exhaustive) chargeable assets, which may include any interest, option or other right in or over said assets:

- ▶ Houses
- ▶ Commercial buildings
- ▶ Farms
- ▶ Vacant land

RPGT is also charged on the gains arising from the disposal of shares in a Real Property Company (RPC), which is a controlled company holding real property or shares in another RPC of which the defined value is not less than 75% of the value of the company's total tangible assets.

If you have disposed of any such chargeable assets, you are obligated to pay RPGT in the tax year when the disposal transaction takes place.

18. What are the current RPGT rates in Malaysia?

The RPGT rates depends on which category the disposer falls under and the holding period of chargeable asset.

For individual Malaysian citizen and permanent resident, effective 1 January 2022, the RPGT rate for the disposal of a chargeable asset is:

- ▶ Within two (2) years or in the third year is 30%
- ▶ In the fourth year is 20%
- ▶ In the fifth year is 15%
- ▶ In the sixth year and thereafter is NIL

For a non-citizen or non-permanent resident, effective 1 January 2019, the RPGT rate for the disposal of a chargeable asset is:

- ▶ Within five (5) years is 30%
- ▶ In the sixth year and thereafter is 10%

For the full table of RPGT rates, please refer to <https://www.hasil.gov.my/en/rpgt/real-property-gains-tax-rpgt-rates>.

19. What are my responsibilities if I dispose real property or shares in RPC?

Complete and submit the following forms electronically within sixty (60) days from the date of disposal together with a copy of the supporting documents to assess gains from the disposal:

- ▶ Form CKHT 1A – Disposal of real property
- ▶ Form CKHT 1B – Disposal of share in RPC

If the asset that is being disposed is not subject to tax or exempt from the payment of tax, a notification should be submitted to the MIRB via Form CKHT 3 together with either the Form CKHT 1A or 1B. A copy of the Form CKHT 3 is required to be submitted to the acquirer.

With the implementation of the self-assessment regime for RPGT, effective from 1 January 2025, the submitted RPGT form is deemed to be a notice assessment made by the MIRB and is deemed to be served on the disposer on the day the RPGT form is submitted.

20. What are my responsibilities if I acquire real property or shares in RPC?

Complete and submit electronically the Form CKHT 2A within sixty (60) days from the date of acquisition of the chargeable asset or shares in RPC together with copies of the Sales and Purchase Agreement and either the CKHT 502 payment receipt, payment slip or copy of Form CKHT 3.



Employees Provident Fund (EPF)

21. Who can contribute to EPF?

Individuals who are employed, self-employed or business owners can contribute to EPF.

Individuals who are employees in the private sector or are non-pensionable employees in the public sector are subject to mandatory EPF contributions. The EPF contributions are administered by the employer through the monthly payroll and comprises of the individual employee's and employer's share. Non-Malaysian employees are not subject to mandatory contributions. However, if they opt to contribute, both employee and employer are liable to contribute and are not permitted to revoke the option made.

Individuals who are self-employed or business owners that do not have an employer to administer the monthly EPF contributions for them can opt for self-contribution. The self-contribution option is limited for Malaysian citizens or Permanent Residents that have registered as an EPF member.

It was proposed in Budget 2025 that contributions to the EPF by non-citizen employees become mandatory. This proposal will be implemented in phases. The effective date is to be determined.

22. When can I fully withdraw the EPF contributions from my account and are there any tax implications?

EPF members can make a full withdrawal of EPF contributions without being subject to any tax implications in Malaysia under the following circumstances:

- ▶ Full withdrawal from Akaun 55 upon reaching the age 55
- ▶ Full withdrawal from both Akaun 55 and Akaun Emas upon reaching the age 60
- ▶ One-time withdrawal of employee's portion only for public sector employees upon grant of a "Pensionable Employee" status
- ▶ Upon being certified either physically or mentally incapacitated by the EPF medical board
- ▶ Upon renouncing Malaysian citizenship or PR to migrate to another country, or if you are a non-citizen, upon permanently leaving Malaysia
- ▶ In the event of death



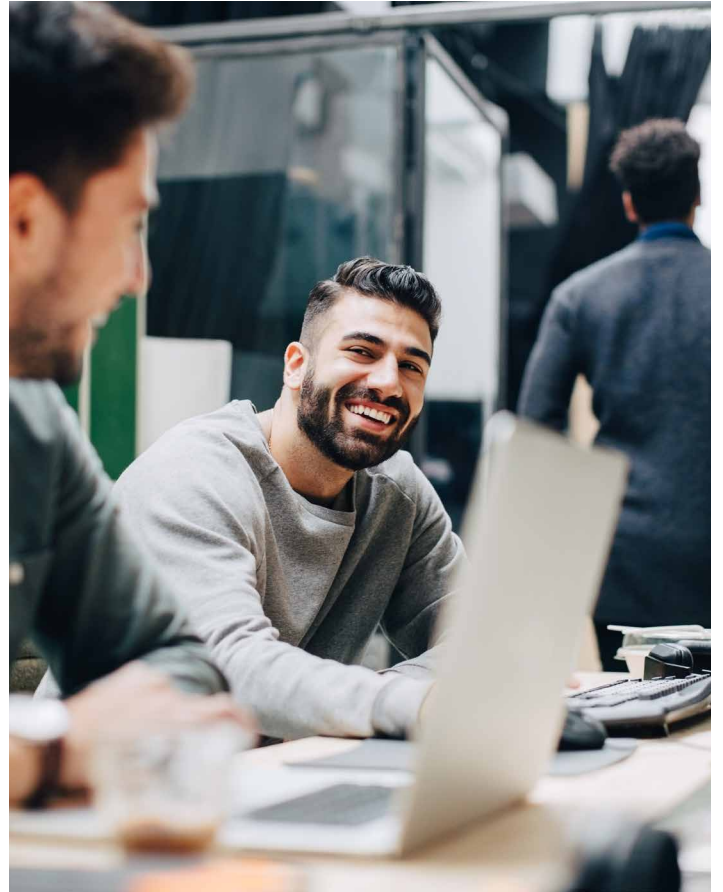
Income tax rates

23. What is the income tax rate in Malaysia?

A resident taxpayer is subject to income tax at graduated tax rates between 0% to 30% (from the year of assessment 2023) depending on the chargeable income (net of tax deduction and tax relief claimed) for the year.

A non-resident taxpayer is subject to income tax at the flat rate of 30% from the year of assessment 2020.

Dividends paid, credited or distributed by a Malaysian resident company to individual taxpayers exceeding RM100,000 per annum will be subject to tax at the rate of 2%, notwithstanding whether the dividend is received in monetary form or otherwise from the year of assessment 2025. This applies to dividends deemed to be derived from Malaysia. Exemption from dividend tax applies to dividends from abroad, dividends from the profits of companies that received pioneer status and reinvestment allowances, dividends from profits of shipping companies that is exempted from tax, dividends distributed by cooperatives, dividends declared by closed-end funds, dividends received by residents from Labuan entities and any exemption given on dividend income at shareholder level. Dividend tax will not apply to profit distributions made to contributors and depositors by the Employees Provident Fund (EPF), Amanah Saham Nasional Bumiputera (ASNB), Lembaga Tabung Angkatan Tentera (LTAT) or any unit trusts.



Disclaimer:

This material contains only general information based on the current Malaysia income tax legislation and the related interpretation and practice thereof, all of which are subject to change possibly on a retrospective basis.

This material is meant to provide an overview of Malaysian income tax obligations of an individual as a taxpayer in Malaysia.

We would recommend that you seek independent professional advice on any tax matters as the consequences or implications may differ depending on the facts and circumstances of your case.

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