

Taxation in Malaysia

Income of any person including a company, accruing in or derived from Malaysia or received in Malaysia from outside Malaysia is subject to income tax.

However, with effect from year of assessment (YA) 2004, income received in Malaysia from sources outside Malaysia by any person other than a resident company carrying on business of banking, insurance, sea or air transport is exempted from income tax.

The income is assessed on a current year basis and the present tax assessment system administered by Inland Revenue Board of Malaysia (IRBM) is Self-Assessment System (SAS). In SAS, taxpayers are required to declare its income honestly and calculate the tax payable on its own. The responsibility on the tax matters have been shifted to the taxpayers. They are required to have sufficient tax knowledge in order to assess their tax liability correctly and within the timeframe.

The tax rates for YA 2019 are as follows:

Company Tax

Resident and non-resident companies	24%
Resident companies with paid-up capital of RM2.5 million (US\$611,246) and less at the beginning of the basis period for a year of assessment:	
• on the first RM500,000 (US\$122,249) chargeable income	17%
• on subsequent chargeable income	24%

Petroleum Income Tax

A person carrying on petroleum upstream operations is subject to Petroleum Income Tax (PITA) 1967.	38%
From YA 2010, the assessment system under PITA has changed to the current year basis and the self-assessment system.	

Personal Income Tax

Resident individuals with chargeable income (after deduction of personal reliefs) of more than RM5,000 (US\$1,222) and not more than RM1,000,000 (US\$244,498)	1 - 26%
Resident individuals with chargeable income (after deduction of personal reliefs) of more than RM1,000,000 (US\$244,498)	28%
Non-resident individuals (not entitled to any personal reliefs)	28%

Withholding Tax

Withholding tax is an amount withheld by the party making payment on income earned by a non-resident individuals or companies and the withheld amount is then remitted to Inland Revenue Board of Malaysia.	
The tax rate is based on classes of income and is stated either in in Income Tax Act 1967 or in the Double Taxation Agreement (DTA). Some classes of income are shown as follows:	
• Special classes of income which is derived from Malaysia:	10%
i. Amounts paid for services rendered in connection with the use of property or rights or installation services or operation on the supply of plant, machinery or other apparatus	
ii. Amounts paid in consideration of any advice given, or assistance or services rendered in connection with the management and administration of any scientific, industrial or commercial undertaking, venture, project or scheme.	
iii. Rent or payment for the use of any moveable property.	
• Interest derived from Malaysia	15%
• Royalty derived from Malaysia	10%
• Remuneration or income from service performed or rendered in Malaysia by public entertainer	15%
• Contract payment:	
i. Payable by the non-resident contractor	10%
ii. Payable by employees of the non-resident contractor	3%
• Gains or profits falling under paragraph 4(f) Income Tax Act 1967	10%

Sources: Inland Revenue Board – www.hasil.org.my

Sales and Service Tax (SST)

Effective from 1 September 2018, the Sales Tax Act 2018 and the Service Tax Act 2018 together with its respective subsidiary legislations are introduced to replace the Goods and Services Tax (GST) Act 2014.

Sales Tax

Under the Sales Tax Act 2018, sales tax is charged and levied on imported and locally manufactured goods either at the time of importation or at the time the goods are sold or otherwise disposed of by the registered manufacturer. Sales tax administered in Malaysia is a single stage tax imposed on the finished goods manufactured in Malaysia and goods imported into Malaysia. Sales tax is imposed on taxable goods manufactured in Malaysia by any registered manufacturer at the time the goods are sold, disposed of other than by sales or used other than as a material in the manufacture of goods. Sales tax on imported goods is charged when the goods are declared, duty paid and released from customs control. Manufacturers who manufacture taxable goods with sales value which exceeds RM500,000 within the period of 12 months, are required to be registered pursuant to Section 12 Sales Tax Act 2018. Manufacturers who manufacture taxable goods with sales value of RM500,000 and below, have the option to be registered on a voluntary basis under Section 14 of the Sales Tax Act 2018 to enable them to enjoy the facilities given under the Act. Manufacturers who carry out its business as a subcontractor and the total labour charge of the subcontract works exceeds RM500,000 within 12 months, are required to be registered pursuant to Section 12 of the Sales Tax Act 2018.

Rates of Sales Tax

Sales tax is generally at 10%, certain non-essential foodstuffs, alcoholic beverages, tobacco/cigarettes and building materials are taxed at 5% while certain petroleum products and motor oil are taxed at individual specific rates.

Service Tax

Service tax in Malaysia is a form of indirect single stage tax imposed on specified services termed as "taxable services". The Service tax cannot be levied on any service which is not included in the list of taxable services prescribed by the Minister under the First Schedule of Service Tax Regulations 2018. The Service Tax Act 2018 (STA 2018) applies throughout Malaysia excluding designated areas, free zones, licensed warehouses, licensed manufacturing warehouses and Joint Development Area (JDA).

Taxable Service

Taxable services are any services which are listed in the various categories in the First Schedule of Service Tax Regulations 2018. Any taxable person providing taxable services and exceeding the respective thresholds is required to be registered. The categories are accommodation, food and beverage operator, night-clubs, dance halls, health and wellness centres, private club, golf club and golf driving range, betting and gaming services, professional services and other service providers such as insurance, telecommunication, parking operator, advertising and etc.

Charge to Tax

Service tax is charged on any provision of taxable services provided in Malaysia by a registered person in carrying on his business. The service tax is due and payable when payment is received for any taxable service provided to a customer by the registered person. The service tax is not chargeable for imported and exported services under the STA 2018.

Rate of Service Tax

The rate of service tax is fixed under the Service Tax (Rate of Tax) Order 2018 and comes into force on 1 September 2018. The rate of service tax is 6% of the price or premium for insurance policy, value of betting and gaming, etc. of the taxable service as determined under section 9 of STA 2018.

Rate of Service Tax for Credit and Charge Cards

The rate of service tax on the provision of credit card or charge card services is RM25 per year on the principal and supplementary card. The service tax is chargeable on the date of the issuance of the card and every 12 months thereafter or part thereof after the issuance of the card or on the date of the renewal of the card and every 12 months thereafter or part thereof after the renewal of the card.

For more information, please visit <https://mysst.customs.gov.my/>

Source : Royal Custom Malaysia – www.customs.gov.my

Excise Duty

Excise duty is levied on imported and locally manufactured goods under the Excise Act, 1976. The goods are listed under the Excise Duties Order, 2004. Goods include:

Goods	Duty Rate
<ul style="list-style-type: none"> Motorcars 4Wheel drives Motorcycle 	65% - 105% 60% - 105% 20% - 30%
<ul style="list-style-type: none"> Beverage, spirits and vinegar 	RM1.10 (US\$0.27) and 15% - RM 450 (US\$110) per 100% vol per litre
<ul style="list-style-type: none"> Tobacco and manufactured tobacco substitutes 	RM0.40 (US\$0.09) per stick – RM 400 (US\$97.80)

Source : Royal Custom Malaysia – www.customs.gov.my

Rates of Capital Allowances

Capital allowances are given on qualifying capital expenditure. Initial allowances are given only once while annual allowances are given every year by the straight line method. Allowances for some items are shown in the table below. For plant and machinery, companies are advised to verify with the Inland Revenue Board of Malaysia on the specific items which qualify.



Capital Expenditure	Initial Allowance	Annual Allowance
<ul style="list-style-type: none"> Industrial building 	10%	3%
<ul style="list-style-type: none"> General plant and machinery 	20%	14%
<ul style="list-style-type: none"> Heavy machinery and motor vehicles 	20%	20%
<ul style="list-style-type: none"> Computer and IT equipment 	20%	20%
<ul style="list-style-type: none"> Environmental control equipment 	40%	20%
<ul style="list-style-type: none"> Others 	20%	10%

Sources: Inland Revenue Board – www.hasil.org.my