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2023/2024

Malaysian Tax Booklet

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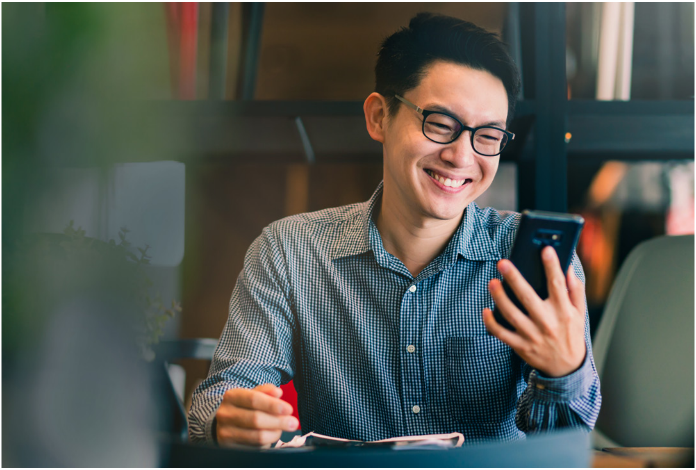

This publication is a quick reference guide outlining Malaysian tax information which is based on taxation laws and current practices. This booklet incorporates in *coloured italics* the Malaysian Budget proposals based on the Budget 2024 announcement on 13 October 2023 and the Finance (No. 2) Bill 2023. These proposals will not become law until their enactment and may be amended in the course of their passage through Parliament. Please refer to our online version at https://www.pwc.com/my/mtb for any subsequent updates.

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INCOME TAX

Scope of taxation

Income tax in Malaysia is imposed on income accruing in or derived from Malaysia. For residents, tax is also imposed on income derived from outside Malaysia and received in Malaysia. However, resident companies carrying on the business of banking, insurance, sea or air transport (BISA) are assessable on income from wherever derived (world income scope).

Subject to conditions, the following foreign-sourced income received in Malaysia (other than BISA) from 1 January 2022 to 31 December 2026 qualify for tax exemption:

- Dividend income received by resident companies, limited liability partnerships (LLP), and individuals (in respect of dividend income received through a partnership business in Malaysia)
- All classes of income received by resident individuals (excluding a source of income from a partnership business in Malaysia, which is received in Malaysia from outside Malaysia)

Income attributable to a Labuan business activity of a Labuan entity including the branch or subsidiary of a Malaysian bank in Labuan is subject to tax under the Labuan Business Activity Tax Act 1990. A preferential tax rate of 3% will apply to the Labuan entity on its net profits from Labuan business activities if it meets the substantial activity requirements, otherwise it will be subject to a tax rate of 24% on its net profits. A Labuan entity can make an irrevocable election to be taxed under the Income Tax Act 1967 (ITA 1967) in respect of its Labuan business activity.

Classes of income

Income tax is chargeable on the following classes of income:

a) gains or profits from a business;

b) gains or profits from the disposal of capital asset (refer to Taxes on Capital Gains)

c) gains or profits from an employment;

d) dividends, interest or discounts;

e) rents, royalties or premium;

f) pensions, annuities or other periodical payments not falling under any of the foregoing classes;

g) gains or profits not falling under any of the foregoing classes.

Basis of assessment

Income is assessed on a current year basis. The year of assessment (YA) is the year coinciding with the calendar year, for example, the YA 2024 is the year ending 31 December 2024. The basis period for a company, co-operative or trust body is normally the financial year (FY) ending in that particular YA. For example, the basis period for the YA 2024 for a company which closes its accounts on 30 June 2024 is the FY ending 30 June 2024. All income of a person other than a company, LLP, co-operative society or trust body, are assessed on a calendar year basis.

Malaysia adopts a self-assessment system which means that the responsibility to determine the correct tax liability lies with the taxpayer.

Returns & assessments

- Taxpayers are required to submit their income tax returns to the Inland Revenue Board (IRB) within the prescribed time frame. Refer to the *"Important filing dates"* section for further information.
- Companies, LLPs, trust bodies and co-operative societies are required to furnish the income tax returns based on the financial statements prepared in accordance with any written law.
- A tax return submitted by the prescribed due date is deemed to be an assessment made on the taxpayer on the date of submission (deemed assessment).
- The IRB is allowed to issue an additional assessment, if it thinks that the original assessment is not sufficient, within 5 years (or 7 years for transfer pricing issues) from the end of that particular YA.
- The above time frame is not applicable in situations of fraud, wilful default or negligence.

Appeals

- Where a taxpayer is aggrieved by an assessment made by the IRB, he may submit an appeal. If the taxpayer and the IRB cannot come to an agreement, the appeal may be escalated to the Special Commissioners of Income Tax within a certain period.
- Appeals against assessments raised by the IRB can be made within 30 days after the date the notice of assessment has been served.

- Taxpayers can also appeal against its own deemed assessment. However, the scope of appeal is restricted only to disagreement (but conceded in its return) with the IRB's known stand and rules prevailing at the time when the return was submitted. Examples of such known stand and rules include:
  - Public rulings
  - Private rulings or advance rulings
  - Guidelines issued by the IRB
  - Decided tax cases
  - Other written evidence

Relief for error or mistake, or inaccurate tax returns

Application for relief can be made to the Director General of Inland Revenue (DGIR) for tax returns which are incorrect due to the following reasons:

Reasons	Time frame
Error or mistake made by the taxpayer.	Overpayment of tax for a YA - within 5 years from the end of that YA. No tax liability for a YA - within 6 months from the date the return is furnished.
Exemption, relief, remission, allowance or deduction granted for that YA under the ITA 1967 or any other written law published in the Gazette after the YA in which the return is furnished.	Within 5 years after the end of the year the exemption, relief, remission, allowance or deduction is published in the Gazette.
Approval for exemption, relief, remission, allowance or deduction is granted after the YA in which the return is furnished.	Within 5 years after the end of the year the exemption, relief, remission, allowance or deduction is approved.
Tax deduction not claimed in respect of expenditure incurred that is subject to withholding tax (WHT) which is not due to be paid on the day the return is furnished.	Within 1 year after the end of the year the payment of WHT is made.

Offences & penalties

Offences under the ITA 1967 and the penalties thereof include the following:

Offences	Penalties
Failure to furnish income tax return	RM200 to RM20,000 or imprisonment or both [on conviction]; or 300% of tax payable [in lieu of prosecution]
Failure to furnish income tax return for 2 YAs or more	RM1,000 to RM20,000 or imprisonment or both, and 300% of tax liability [on conviction]; or 300% of tax payable [in lieu of prosecution]
Make an incorrect tax return by omitting or understating any income, or providing incorrect information	RM1,000 to RM10,000 and 200% of tax undercharged [on conviction]; or 100% of tax undercharged [in lieu of prosecution]
Wilfully and intentionally evade tax or assist any other person to evade tax	RM1,000 to RM20,000 or imprisonment or both and 300% of tax undercharged [upon conviction]
Attempt to leave the country without payment of tax	RM200 to RM20,000 or imprisonment or both [on conviction]
Late payment of tax liability under an assessment for a YA	10% of tax payable
Late payment of tax instalment	10% of outstanding tax instalment amount
Underestimation of tax estimate for a YA by more than 30% of actual tax payable	10% of the difference exceeding 30% of the actual tax payable
Failure to furnish Country-by-Country Report (CbCR)	RM20,000 to RM100,000 or imprisonment or both [on conviction]
Incorrect return or information for Mutual Administrative Assistance Arrangement and for CbCR	RM20,000 to RM100,000 or imprisonment or both [on conviction]
Failure to comply with IRB’s request for taxpayer’s bank account information for purposes of garnishee order	RM200 to RM20,000 or imprisonment or both [on conviction]

Public rulings and advance rulings

- To facilitate compliance with the law, the DGIR is empowered to issue public rulings and advance rulings.
- Public rulings are voluntarily issued by the IRB whereas advance rulings are issued upon application made by a taxpayer.
- Tax treatment prescribed in the public rulings that are adopted by a taxpayer shall be binding on the DGIR.
- Tax treatments prescribed by the DGIR in its advance rulings are binding on both the DGIR and taxpayer except for the following circumstances:
  a) the arrangement is materially different from the arrangement stated in the advance ruling;
  b) there was material omission or misrepresentation in, or in connection with the application of the ruling;
  c) the assumptions made by DGIR when issuing the advance ruling are subsequently proved to be incorrect; or
  d) the taxpayer fails to satisfy any of the conditions stipulated by the DGIR.

Tax Compliance Certificate (TCC)

TCC will be a prerequisite for taxpayers to tender for Government projects w.e.f. 1 January 2023.

Tax Identification Number (TIN)

The TIN will be used for purposes of income tax, real property gains tax and stamp duty. The following persons will be required to have a TIN:

- Any person who is assessable and chargeable to tax;
- Any person who is required to furnish an income tax return; or
- Any person who is a citizen and aged 18 years old and above.

PERSONAL INCOME TAX

Tax residence status of individuals

An individual is regarded as tax resident if he meets any of the following conditions, i.e. if he is:

- in Malaysia for at least 182 days in a calendar year;
- in Malaysia for a period of less than 182 days during the year but that period is linked to a period of physical presence of 182 or more consecutive days in the following or preceding year. Temporary absences from Malaysia due to the following reasons are counted as part of the consecutive days, provided that the individual is in Malaysia before and after each temporary absence:
  - business trips
  - treatment for ill-health
  - social visits not exceeding 14 days
- in Malaysia for 90 days or more during the year and, in any 3 of the 4 immediately preceding years, he was in Malaysia for at least 90 days or was resident in Malaysia; or
- resident for the year immediately following that year and for each of the 3 immediately preceding years.

Rates of tax

1. Resident individuals

Chargeable income (RM)	YA 2023 and YA 2024	
	Tax (RM)	% on excess
5,000	0	1
20,000	150	3
35,000	600	6
50,000	1,500	11
70,000	3,700	19
100,000	9,400	25
400,000	84,400	26
600,000	136,400	28
2,000,000	528,400	30

The following categories of individuals are taxed at 15% on the employment income:

- A qualified person (defined) who is a knowledge worker residing in Iskandar Malaysia and employed with a designated company engaged in a qualified activity in that specified region.
- An approved individual under the Returning Expert Programme who is a resident. The incentive is for 5 consecutive YAs. (Applications received by Talent Corporation Malaysia Berhad from 1 January 2021 to 31 December 2023, *extended to 31 December 2027).*
- A non-citizen receiving a monthly salary of not less than RM25,000 and holding key / C-Suite positions in a company that has been granted relocation tax incentive under the PENJANA initiative (limited to 5 non-resident individuals per company). The incentive is for a period of 5 consecutive years. (Announced to be extended until 2024).
- *A non-citizen individual receiving a monthly salary of at least RM35,000 and holding key / C-Suite positions in a new company approved as a Global Services Hub (limited to 3 non-citizen individuals). The incentive is for a period of 3 consecutive YAs. (Application received by MIDA from 14 October 2023 until 31 December 2027).*

2. Non-resident individuals

Types of income	Rate (%)
Public entertainer's professional income	15
Interest	15
Royalties	10
Special classes of income: • Rental of moveable properties • Advice, assistance or services rendered in Malaysia	10
Dividends (single-tier)	Exempt
Business income, employment income, discounts, rents, premiums, pensions, annuities, other periodical payments and other gains or profits (include payments received for part-time / occasional broadcasting, lecturing, writing, etc.)	30
Income other than the above	10
Foreign film actors and movie crews who carry out filming in Malaysia	*0 - 10*

Personal reliefs for resident individuals

Types of relief	YA 2023 / YA 2024 (RM)
Self	9,000
Disabled individual - additional relief for self	6,000
Spouse	4,000
Disabled spouse - additional spouse relief	5,000
Child: a) per unmarried child i) below 18 years old ii) over 18 years old: • receiving full-time instruction at school, college, university or similar establishment; OR • receiving full-time instruction at an establishment of higher education (approved by the government) in respect of: – diploma level and above in Malaysia, or – degree level and above outside Malaysia, OR serving under articles or indentures in a trade or profession in Malaysia b) per physically / mentally disabled child: • unmarried, • AND IF over 18 years of age receiving full-time instruction at an establishment of higher education (approved by the government) in respect of: – diploma level and above in Malaysia, or – degree level and above outside Malaysia, OR serving under articles or indentures in a trade or profession in Malaysia	 2,000 2,000 8,000 6,000 additional 8,000
Life insurance premiums or voluntary contributions to Employee Provident Fund (EPF) or for both	3,000*
Voluntary or obligatory EPF contributions and contributions to pension schemes by individuals or public servants	4,000*
Private retirement scheme contributions and deferred annuity scheme premiums (until YA 2025)	3,000*
Insurance premiums for education or medical benefits	3,000*
Expenses on medical treatment, dental treatment, special needs or carer expenses for parents (evidenced by medical certification). *W.e.f. YA 2024, expanded to include full medical examination, limited to RM1,000*	8,000*

Types of relief	YA 2023 / YA 2024 (RM)
Employee's contribution to Social Security Organisation (SOCSO) and Employment Insurance System	350*
Medical expenses for: • self, spouse or child suffering from a serious disease; • expenses incurred on fertility treatment; • vaccination up to RM1,000 (including fees of up to RM1,000 incurred by self, spouse or child for complete medical examination, COVID-19 detection test and mental health examinations or consultations); • diagnostic assessment of learning disability or early intervention program or rehabilitation treatment for learning disability for a child below 18 years old, up to RM4,000 • *dental examination or treatment by dental practitioners registered with the Malaysian Dental Council for self, spouse or child, limited to RM1,000 (W.e.f. YA 2024)*	10,000*
Fee expended for: • any course of study up to tertiary level, other than a degree at Masters or Doctorate level, undertaken for the purpose of acquiring legal, accounting, Islamic financing, technical, vocational, industrial, scientific or technological qualification or skill • any course of study for a degree at Masters or Doctorate level undertaken for the purpose of acquiring any qualification or skill • any course of study undertaken for the purpose of upskilling and self-enhancement, limited to RM2,000 (until YA 2023, *extended to YA 2026*)	7,000*
Purchase of supporting equipment for self (if a disabled person) or for disabled spouse, child or parent	6,000*
Lifestyle relief consolidated with the following: • purchase or subscription of books, journals, magazines, newspaper and other similar publications (in the form of hardcopy or electronic) for the purpose of enhancing knowledge • purchase of personal computer, smartphone or tablet • purchase of sports equipment and gym memberships *(reclassified to be included in the special tax relief for "Sports Equipment and Activities" w.e.f. YA 2024)*	2,500*

Types of relief	YA 2023 / YA 2024 (RM)
• internet subscription • *fees for self skill enhancement courses (w.e.f. YA 2024)*	
Purchase of breastfeeding equipment (once in every 2 YAs)	1,000*
Fees paid to childcare centre and kindergarten (until YA 2024)	3,000*
Deposit for child into the Skim Simpanan Pendidikan Nasional account (until YA 2024)	8,000*
Sports Equipment and Activities relief for own use, spouse or child: • Cost of purchasing sports equipment, entry / rental fees for sports facilities and registration fees for sports competition • *Gym membership fees (reclassified from lifestyle relief w.e.f. YA 2024)* • *Sports training fees charged by registered sports clubs / societies / companies (w.e.f. YA 2024)*	500* *(Increased to 1,000 w.e.f. YA 2024)**
Costs related to electric vehicle charging facilities, including installation, rental, hire-purchase of equipment, or subscription fees (YA 2022 and YA 2023, *extended to YA 2027*)	2,500*

* Maximum relief

Tax rebates for resident individuals

Types of rebate	YA 2023 / YA 2024 (RM)
Individual's chargeable income does not exceed RM35,000	400
If husband and wife are separately assessed and each chargeable income does not exceed RM35,000	400 (each)
If husband and wife are jointly assessed and the joint chargeable income does not exceed RM35,000	800
Rebate for Zakat, Fitrah or other Islamic religious dues paid	Actual amount expended
Rebate for departure levy paid for performing umrah and pilgrimage to holy places.	Actual amount expended (twice in a lifetime)

The above rebate granted is deducted from tax charged and any excess is not refundable.

EMPLOYMENT INCOME

Derivation

Employment income is regarded as derived from Malaysia and subject to Malaysian tax where the employee:

- exercises an employment in Malaysia;
- is on paid leave which is attributable to the exercise of an employment in Malaysia;
- performs duties outside Malaysia which are incidental to the exercise of an employment in Malaysia;
- is a director of a company resident in Malaysia; or
- is employed to work on board an aircraft or ship operated by a person who is resident in Malaysia.

Exemption (short-term employees)

Income of a non-resident from an employment in Malaysia is exempt:

- if the aggregate of the period(s) of employment in Malaysia does not exceed 60 days in a calendar year; or
- where the total period of employment which overlaps 2 calendar years does not exceed 60 days.

Employees of regional operations

Non-Malaysian citizens who are based in Malaysia working in an Operational Headquarter, or Regional Office, or International Procurement Centre, or Regional Distribution Centre or Treasury Management Centre status company would be taxable on employment income attributable to the number of days they exercise employment in Malaysia.

Women returning to work after career break

The employment income for women returning to work after a career break of at least 2 years is exempted for up to a maximum of 12 consecutive months (application to Talent Corporation Malaysia Berhad by 31 December 2023, *extended to 31 December 2027*) and the exemption period is until YA 2024, *extended to YA 2028.*

Types of employment income

Type of employment income	Taxable Value
Cash remuneration, e.g. salary, bonus, allowances / perquisites	Total amount paid by employer. Certain allowances / perquisites are exempted from tax. Refer to *"Perquisites"* below
Benefits-in-kind, e.g. motorcar and petrol, driver, gardener, etc	Based on formula or prescribed value method. Certain benefits are exempted from tax. Refer to *"Benefits-in-kind"* below
Housing accommodation (unfurnished)	
• employee or service director	Lower of 30% of cash remuneration* or defined value of accommodation
• directors of controlled companies	Defined value of accommodation
Hotel accommodation for employee or service director	3% of cash remuneration*
Withdrawal from unapproved pension fund	Employer's contribution
Compensation for loss of employment	Total amount paid by employer. Exemption is available under specified conditions

***** Cash remuneration does not include equity-based income

Perquisites

Below are examples of taxable perquisites:

Perquisites	Taxable Value
Petrol card / petrol or travel allowances and toll rates	Total amount paid by employer. Exemption available up to RM6,000 per annum if the allowances / perquisites are for official duties*
Childcare subsidies / allowances	Total amount paid by employer. Exemption available up to RM2,400 per annum* *(increased to RM3,000 w.e.f. YA 2024)*
Parking fees / allowances	Fully exempted*
Meal allowances	Fully exempted*
Interest on loan subsidies	Loans totalling RM300,000 for housing / passenger motor vehicles and education*
Income tax borne by employer	Total amount paid by employer

Perquisites	Taxable Value
Award	Total amount paid by employer. Exemption available up to RM2,000 per annum for the following types of award:* • long service (more than 10 years of employment with the same employer) • past achievement • service excellence, innovation, or productivity award

* Exemptions are not extended to directors of controlled companies, sole proprietors and partnerships

Benefits-in-kind (BIK)

The value of BIK provided for an employee may be determined by either of the following methods:

- formula method, or
- prescribed value method

Under the formula method, the annual value of BIK provided to an employee is computed using the following formula:

$$\frac{\text{Cost of the asset provided as a benefit / amenity}}{\text{Prescribed lifespan of the asset}} = \text{Annual value}$$

The prescribed lifespan for various benefits are as follows:

Benefits-in-kind	Prescribed average lifespan (Years)
Motorcar	8
Furnishings:	
• Air-conditioner	8
• Curtains & carpets	5
• Furniture	15
• Refrigerator	10
• Sewing machine	15
Kitchen utensils / equipment	6
Entertainment and recreation:	
• Organ	10

Benefits-in-kind	Prescribed average lifespan (Years)
• Piano	20
• Stereo set, TV, video recorder, CD / DVD player	7
• Swimming pool (detachable), sauna	15
• Miscellaneous	5

Under the prescribed value method, the following are some prescribed values of BIK:

Benefits-in-kind	Value per year
Household furnishings, apparatus & appliances:	
• Semi-furnished with furniture in the lounge, dining room and bedroom	RM840
• Semi-furnished as above and with air-conditioners or carpets or curtains	RM1,680
• Fully furnished	RM3,360
• Service charges and other bills (e.g. water, electricity)	Charges and bills paid by employer
Prescribed value of other benefits:	
• Driver	RM7,200 per driver
• Domestic servants	RM4,800 per servant
• Gardeners	RM3,600 per gardener
• Corporate recreational club membership	Membership subscription paid by employer

The following are some exemptions* for certain BIK:

Benefits-in-kind	Exemption
Leave passages	i. one overseas leave passage up to a maximum of RM3,000 for fares only; or ii. 3 local leave passages including fares, meals and accommodation
Employer's goods provided free or at a discount	Exemption up to RM1,000 per annum. Any benefit exceeding RM1,000 will be subject to tax
Employer's own services provided full or at a discount	Fully exempted

Benefits-in-kind	Exemption
Maternity expenses & traditional medicines	Fully exempted
Telephone (including mobile telephone), telephone bills, pager, personal data assistant and broadband subscription	Fully exempted, limited to one unit for each asset
Exemption for mobile phones, laptops, and tablets provided by employers to employees (Flexible Work Arrangement Incentive)	Exemption is available up to RM5,000 from YA 2020

* Exemptions are not extended to directors of controlled companies, sole proprietors and partnerships

Standard rates for motorcar and fuel provided:

Cost of car (when new) (RM)	Annual prescribed benefit	
	Motorcar (RM)	Fuel* (RM)
Up to 50,000	1,200	600
50,001 – 75,000	2,400	900
75,001 – 100,000	3,600	1,200
100,001 – 150,000	5,000	1,500
150,001 – 200,000	7,000	1,800
200,001 – 250,000	9,000	2,100
250,001 – 350,000	15,000	2,400
350,001 – 500,000	21,250	2,700
500,001 and above	25,000	3,000

* Employee is given a choice to determine fuel benefit based on annual prescribed rates or exemption available for petrol usage

Collection of tax

- Taxes are collected from employees through compulsory monthly deductions from remuneration by the 15th of the following month under the Monthly Tax Deduction (MTD) system.
- Total remuneration including BIK and value of accommodation provided to employees is subject to MTD.
- Individuals receiving non-employment income are required to pay by compulsory bi-monthly instalments.

CORPORATE INCOME TAX

Residence status

A company is tax resident in Malaysia if its management and control are exercised in Malaysia. Management and control are normally considered to be exercised at the place where the directors' meetings concerning management and control of the company are held.

Income tax rates

Resident companies are taxed at the rate of 24% while those with paid-up capital of RM2.5 million or less*, and gross business income of not more than RM50 million are taxed at the following scale rates:

Chargeable income	Rate (%)
The first RM150,000	15
RM150,001 to RM600,000	17
In excess of RM600,000	24

* The companies must not be part of a group of companies where any of their related companies have a paid-up capital of more than RM2.5 million, and w.e.f. YA 2024, no more than 20% of its paid-up capital is owned (directly or indirectly) by companies incorporated outside Malaysia or non-Malaysian citizens.

Non-resident companies are taxed at the following rates:

Type of income	Rate (%)
Business income	24
Royalties	10
Rental of moveable properties	10
Advice, assistance or services rendered in Malaysia	10
Interest	15*
Dividends (single-tier)	Exempt
Other income	10
Film production by foreign companies	*0 - 10*

Note: Where the recipient is resident in a country which has a double tax treaty with Malaysia, the tax rates for the specific sources of income may be reduced.

* Interest paid to a non-resident by a bank or a finance company in Malaysia is exempt from tax.

Collection of tax

An estimate of a company's tax payable for a YA must be furnished to the Director General of Inland Revenue (DGIR) not later than 30 days before the beginning of the basis period, except for the following:

- A newly established company with paid-up capital of RM2.5 million and less is exempted from this requirement for 2 to 3 YAs, beginning from the YA in which the company commences operation, subject to certain conditions.
- A company commencing operations in a YA is not required to furnish an estimate of tax payable or make instalment payments if the basis period for the YA in which the company commences operations is less than 6 months.

The estimate of tax payable is generally payable in 12 equal monthly instalments, beginning from the second month of the company's basis period.

The balance of tax payable by a company, based on the return submitted, is due to be paid by the due date for submission of the return.

In general, tax of a non-resident company on all income other than income from a business source is collected by means of withholding tax. Under the law, withholding tax is payable within one month of crediting or paying the non-resident company.

Profit distribution

Tax on a company's profits is a final tax and dividends paid, credited or distributed are tax exempt in the hands of shareholders.

Losses

Business losses can be set off against income from all sources in the current year. Any unutilised losses can be carried forward for a maximum period of 10 consecutive YAs to be utilised against income from any business source. Unutilised losses accumulated as at YA 2018 can be utilised for 10 consecutive YAs and any balance will be disregarded in YA 2029.

For a dormant company, the unutilised losses will be disregarded if there is a substantial change in shareholders.

Group relief

Under the group relief provision, a company may surrender a maximum of 70% of its adjusted loss for a YA to one or more related companies, for the first 3 consecutive YAs after having completed its first 12-month basis period from commencement of its operations. Conditions to be met by the claimant and surrendering companies include the following:

- Resident and incorporated in Malaysia.
- Paid-up capital of ordinary shares exceeding RM2.5 million at the beginning of the basis period.
- Both companies have the same (12-month) accounting period.
- Both companies are “related companies” as defined in the law, and must be “related” throughout the relevant basis period as well as the 12 months preceding that basis period.

Companies currently enjoying certain incentives such as pioneer status (PS), investment tax allowance (ITA), reinvestment allowance, etc. or which have unutilised ITA or unabsorbed pioneer losses upon the expiry of its ITA or PS incentives under the Promotion of Investments Act 1986, are not eligible for group relief.

Tax deductions

Generally, tax deduction is allowed for all outgoings and expenses wholly and exclusively incurred in the production of gross income.

Certain expenses are specifically disallowed, for example:

- Domestic, private or capital expenditure.
- Lease rentals for passenger cars exceeding RM50,000 or RM100,000 per car, the latter amount being applicable to vehicles costing RM150,000 or less which have not been used prior to the rental. For YA 2023 to YA 2025, deduction is given for rental of non-commercial electric vehicles. Refer to *“Automotive”* in the Tax Incentives chapter.
- Employer’s contributions to unapproved pension, provident or saving schemes.
- Employer’s contributions to approved schemes in excess of 19% of employee’s remuneration.
- Non-approved donations.
- 50% of entertainment expenses with certain exceptions.
- Employee’s leave passages with certain exceptions.
- Interest, royalty, contract payment, technical fee, rental of movable property, payment to a non-resident public entertainer or other payments made to non-residents which are subject to Malaysian withholding tax but where the withholding tax was not paid.

- Payments made to a Labuan entity* – the percentage of non-deduction is 25% for interest and lease rental, and 97% for other payments.

  * regardless of whether it meets the substantial activity requirements

Transfer pricing

1. Legislation

- Malaysia's transfer pricing (TP) legislation adopts the arm's length principle espoused in the OECD Transfer Pricing Guidelines.
- Under the Income Tax Act 1967 (ITA 1967), the DGIR is empowered to make adjustments on controlled transactions of goods, services or financial assistance based on the arm's length principle or to disregard a structure which is commercially irrational.
- The definition of 'control' is common shareholding of 20% of shareholding or more; and
  a) the operations of the affiliate depend on the proprietary rights of the shareholder of 20%, or its affiliate; or
  b) the shareholder / affiliate is able to influence decisions relating to the business activities of the company, including the receipt of services, and the pricing of the acquisition of such services; or
  c) one or more of the directors or members of the board of directors of a person are appointed by the shareholder / affiliate.
- The following rules and guidelines have been issued by the Inland Revenue Board (IRB):
  - Income Tax (Transfer Pricing) Rules 2023 ("TP Rules") (w.e.f. YA 2023);
  - Malaysian Transfer Pricing Guidelines 2012 ("TP Guidelines");
  - Income Tax (Advance Pricing Arrangement) Rules 2012; and
  - Advance Pricing Arrangement Guidelines 2012 ("APA Guidelines").
- The arm's length requirement is included in the Labuan Business Activity Tax Act 1990 (LBATA 1990). The same definition of control under the ITA 1967 (including the expanded definition which captures entities with common shareholding of 20% or more where certain additional conditions are met) is applied in LBATA 1990.

2. Documentation requirements

- Taxpayers with intercompany transactions are required to prepare TP documentation on a contemporaneous basis.
- Documentation should be in place prior to the due date of filing the tax return and dated upon its completion. TP documentation needs to be submitted within 14 days of the tax authorities' request.
- The TP Rules set out prescriptive documentation requirements, supplemented by additional guidance under the Malaysian Guidelines. An index which references the items in the TP Rules is required.
- Malaysian TP documentation comprises the following:
  - Multinational Enterprise (MNE) Group information - Broadly similar to the content of OECD master file, but now forms part of the Malaysian TP documentation. Non-inclusion of this information in the TP documentation or submission at a later date will be considered as non-compliance. Provides an overview of the multinational group's business, value drivers, intangibles, financing arrangements, and supply chain, specific to the supply chain in which the Malaysian taxpayer operates. This information is required only if the entity is part of an MNE Group i.e. the Group has entities (including permanent establishments (PE)) that operate in two or more different tax jurisdictions.
  - Local business information - Information on the local taxpayer's business, including standard components of an OECD local file, and source documents / supporting documents referred to in preparing the TP analysis.
  - Cost contribution arrangements (CCA) - Prescriptive disclosure requirements for taxpayers with intragroup CCAs.

3. Thresholds

- There is no de minimis rule in Malaysian TP legislation.
- The TP Guidelines allows taxpayers to opt to prepare limited documentation if they fall below the following thresholds*:
  - Gross income exceeding RM25 million, and total amount of related party transactions exceeding RM15 million.
  - For financial assistance, the threshold is RM50 million.

* Not applicable to PE

- Companies that are not assessable to tax due to tax incentives or losses are encouraged to prepare documentation if their related party transactions exceed the thresholds outlined above.
- The TP Guidelines need not apply to controlled transactions between companies who are both assessable and chargeable to tax in Malaysia, and where it can be proven that any adjustments made under the TP Guidelines will not alter the total tax payable by both companies.

4. Determination of the arm's length range

- Data for the same basis period as the year of assessment (YA) of the Malaysian taxpayer should be used for assessment of the arm's length range.
- Malaysia has a defined arm's length range, ranging from the 37.5 percentile to the 62.5 percentile.
- The DGIR may make an adjustment to the midpoint of the arm's length range if the results of the intercompany transaction fall outside the arm's length range.

5. Penalties for non-compliance

- Taxpayers are required to submit documentation within 14 days of the IRB's request. The IRB treats failure to submit documentation within the timeframe as non-compliance with the contemporaneous requirement under the TP Rules. Refer to *"Offences & penalties"* in the Income Tax chapter.
- A fine ranging from RM20,000 to RM100,000 per YA, or imprisonment not exceeding six months, or both, may apply to taxpayers who fail to furnish contemporaneous TP documentation.
- For audits which commenced prior to 1 January 2021, taxpayers without TP documentation could also be subject to up to 50% of penalties upon additional tax payable arising from TP adjustments.
- Taxpayers not having comprehensive documentation will be subject to 30% of penalties on additional tax payable. This assessment is subjective.
- A surcharge up to 5% of the TP adjustment made by the IRB would apply to TP adjustments made on audits which commenced on or after 1 January 2021. The surcharge and penalties are mutually exclusive.

Advance pricing arrangement (APA)

- Taxpayers with cross border transactions may apply for an APA under the ITA 1967, subject to the following requirements:
  - the taxpayer is a company assessable and chargeable to tax under the ITA 1967 (also includes PEs);
  - has a turnover value exceeding RM100 million; and
  - the value of the proposed covered transaction is
    - for sales, exceeds 50% of turnover;
    - for purchases, exceeds 50% of total purchases; or
    - for other transactions, the total value exceeds RM25 million.
- Where the counterparty of the transaction is from a country that has a double tax agreement with Malaysia, the taxpayer may only apply for a bilateral APA or multilateral APA. Unilateral APAs are applicable only for taxpayers that transact with a counterparty in a jurisdiction that does not have a double tax agreement with Malaysia.
- All covered transactions must relate to income that is chargeable and not income which is exempted.
- In cases involving financial assistance, a threshold of RM50 million applies.

Earnings stripping rules (ESR)

The ESR applies on interest expense (of more than RM500,000 in a basis period) in connection with or on any financial assistance granted in controlled transactions (as defined), whether directly or indirectly, to a person. The ESR guideline narrows the application of the prescribed rules to cross-border controlled transactions.

The prescribed rules specify that the maximum amount of interest deduction allowed is 20% of the Tax-EBITDA (Earnings Before Income Tax, Depreciation and Amortisation) from each of the sources of income consisting of a business. The interest expenses in excess of the maximum deduction allowed may be carried forward indefinitely to be deducted against future income. In the case of a company, the carry forward of the above-mentioned interest expenses would not be allowed if there is a substantial change in the company's shareholders.

Country-by-Country Reporting (CbCR)

The Income Tax (Country-by-Country Reporting) Rules 2016 and Labuan Business Activity Tax (Country-by-Country Reporting) Regulations (collectively "CbC Rules") require Malaysian multinational corporation (MNC) groups with total consolidated group revenues of RM3 billion and above in the financial year preceding the reporting financial year to prepare and submit CbC Reports to IRB no later than 12 months after the close of each financial year.

Malaysian entities of foreign MNC groups will generally not be required to prepare and file CbC Reports as the obligation to file will be with the ultimate holding company in the jurisdiction it is tax resident in. However, the Malaysian entities of the foreign MNC group will have an obligation to inform / notify the IRB if it is the holding company or has been appointed as the surrogate holding company. If it is neither the holding company nor surrogate holding company, the Malaysian entities must notify the IRB of the identity and tax residence of the entity responsible for preparing the CbC Report.

Failure to comply with the CbC Rules may result in a fine of RM20,000 to RM100,000 or imprisonment of up to 6 months or both. In the case of Labuan entities, non-compliance with the CbC Rules may result in a fine of up to RM1 million or imprisonment of up to 2 years or both.

Global minimum tax (GMT)

Under an OECD Inclusive Framework, more than 140 jurisdictions agreed to enact a two-pillar solution to address the challenges arising from the digitalisation of the economy. Pillar Two introduces a global minimum Effective Tax Rate (ETR) via a system where multinational groups with consolidated revenue over EUR 750 million are subject to a minimum ETR of 15% on income arising in low-tax jurisdictions.

The Government has announced in Budget 2024 that the GMT is expected to be implemented in 2025 and has released the draft legislation which will incorporate the provisions of the GloBE rules including the Qualified Domestic Top-up Tax (QDTT) rules into the Malaysian tax legislations, i.e. the ITA 1967, Petroleum (Income Tax) Act 1967 and LBATA 1990. The draft provisions closely aligns with the OECD Model Rules which includes:

- *The Multinational Top-up Tax under the Income Inclusion Rule and QDTT on in-scope MNEs commencing on or after 1 January 2025*

- *A substance-based income exclusion amount for all top-up taxes*
- *A minimum tax rate at 15%*

CAPITAL ALLOWANCES

Accounting depreciation charged on buildings, plant and machinery, furniture, office equipment and motor vehicles is not deductible for tax purposes. The law however provides for corresponding deductions on expenditure incurred on certain assets used for the purpose of the business in the form of industrial building allowance, capital allowances, accelerated capital allowance and agriculture allowance.

Industrial building allowance (IBA)

- Qualifying expenditure (QE)

QE for purposes of IBA is the cost of construction of buildings or structures which are used as industrial buildings or certain special buildings. In the case of a purchased building, the QE is the purchase price.

- Buildings that qualify for IBA

An industrial building or a special building includes a building used as / for:

- a factory
- warehouse*
- a dock, wharf, jetty
- working a farm, mine
- airport*
- a hotel registered with the Ministry of Tourism*
- supplying water or electricity, or telecommunication facilities
- approved research*
- a private hospital, maternity home and nursing home which is licensed under the law*
- an old folks' care centre approved by the Social Welfare Department
- childcare centre provided by an employer*
- a school or an educational institution approved by the Minister of Education / Higher Education / other relevant authority*
- industrial, technical or vocational training approved by the Minister of Finance (MoF)*
- motor racing circuit approved by the MoF*
- service project in relation to transportation, communications, utilities or any other sub-sector approved by the MoF*

- living accommodation for individual employed by manufacturing, hotel or tourism business or an approved service project*

- For items marked (*), where not more than one-tenth of the floor area of the whole building is used for letting of property, the whole building qualifies as an industrial building. Where more than one-tenth of the floor area of the whole building is used for letting of property, only the remaining part of the building which is not used for the purpose of letting of property qualifies as an industrial building.
- The MoF may prescribe a building used for the purpose of a person's business as an industrial building.
- General rates of allowance for industrial building, whether constructed or purchased:
  - Initial allowance (IA): 10%
  - Annual allowance (AA): 3%

Capital allowances

- Qualifying expenditure (QE)

  QE includes:

  - cost of assets used in a business, such as plant and machinery, office equipment, furniture and fittings, motor vehicles, etc. "Plant" is defined to mean an apparatus used by a person for carrying on his business but does not include a building or any asset used and that functions as a place within which a business is carried on. W.e.f. YA 2023, the MoF may prescribe any asset to be excluded from the definition of plant.
  - the cost of construction and installation of plant and machinery (subject to payment of withholding tax where the installation is carried out by a non-resident)
  - expenditure on fish ponds, animal pens, chicken houses, cages and other structures used for agricultural or pastoral pursuits
  - where an asset is acquired on a hire purchase term, the QE for a particular basis period is based on the amount of capital repayment made during that basis period

CAPITAL ALLOWANCES

- General rates of capital allowance

	IA (%)	AA (%)
Heavy machinery	20	20
General plant and machinery	20	14
Furniture and fixtures	20	10
Office equipment	20	10
Motor vehicles	20	20*
ICT equipment, computer software including customised software	20 *(40)***	20

*** w.e.f. YA 2024*

* QE for non-commercial vehicle is restricted to the maximum amount below:

	Maximum QE (RM)
New vehicles purchased where the total cost is RM150,000 or less	100,000
Vehicles other than the above	50,000

- Expenditure on an asset with a lifespan of not more than 2 years is allowed on a replacement basis.

Accelerated capital allowances

Examples of assets which qualify for accelerated capital allowance rates:

	IA (%)	AA (%)
Industrial buildings		
Public roads and ancillary structures where expenditure is recoverable through toll collection	10	6
Buildings for the provision of childcare facilities / centre	-	10
Buildings used as living accommodation for employees by a person engaged in a manufacturing, hotel or tourism business or approved service project	-	10
Buildings used as a school or an educational institution approved by the Minister of Education or any relevant authority or for the purposes of industrial, technical or vocational training approved by the Minister	-	10
Building used as a warehouse for storage of goods for export or for storage of imported goods to be processed and distributed or re-exported	-	10

CAPITAL ALLOWANCES

	IA (%)	AA (%)
Buildings constructed under an agreement with the government on a build-lease-transfer basis, approved by the MoF	10	6
Buildings constructed for the Government or statutory body under Private Financing Initiatives approved by the Prime Minister's Department under build-lease-maintain-transfer basis where no consideration has been paid by the Government or statutory body	10	6
Buildings constructed or purchased, including renovation costs for each YA for approved private nursing homes for senior citizens, (QE incurred from 1 January 2024 to 31 December 2026)		*10*
Plant and machinery (P&M)		
Environmental protection equipment	40	20
P&M for building and construction	30	10, 14 or 20
P&M of a manufacturing company used exclusively for recycling wastes or further processing of wastes into a finished product	40	20
P&M of agriculture / plantation companies	20	40
P&M for controlling the quality of electric power	20	40
Moulds used in the production of industrialised building system component	40	20

Small-value assets not exceeding RM2,000 each are eligible for 100% capital allowances. The total capital allowances of such assets are capped at RM20,000 except for Small & Medium Enterprises (as defined).

Automation capital allowances for the manufacturing sector

Accelerated capital allowances (ACA)	IA (%)	AA (%)
High labour intensive industries (rubber products, plastics, wood, furniture and textiles) - first RM4 million QE relating to automation equipment incurred from YA 2015 to YA 2023 (Applications received by 31.12.2023)	20	80
Other industries - first RM2 million QE relating to automation equipment incurred from YA 2015 to YA 2023 (Applications received by 31.12.2023)	20	80

Income tax exemption equivalent to the above ACA, to be set-off against 70% of statutory income, is given. Therefore, the total allowances would amount to 200% of the capital expenditure.

The above is enhanced as follows:

i. Scope of automation to include the adaptation of Industry 4.0 elements;

ii. Scope of tax incentive is expanded to include agriculture sector; and

iii. Capital expenditure threshold for high labour intensive industries, other industries and agriculture be aligned and increased up to RM10 million

(Applications received from 1 January 2023 to 31 December 2027)

The scope is further expanded to include the commodity sector under the Ministry of Plantation and Commodities. (Applications received from 14 October 2023 until 31 December 2027)

Disposals

Balancing adjustments (allowance / charge) will arise on the disposal of assets on which capital allowances have been claimed. Generally, the balancing adjustment is the difference between the tax written down value and the disposal proceeds. The balancing charge is restricted to the amount of allowances previously claimed.

Capital allowances which have been previously granted shall be clawed back if the asset is sold within 2 years from the date of purchase, except by reason of death of the owner or other reasons the Director General of Inland Revenue thinks appropriate.

Controlled transfers

No balancing adjustments will be made where assets are transferred between persons / companies under common control. In such cases, the actual consideration for the transfer of the asset is disregarded and the disposer / acquirer is deemed to have disposed of / acquired the asset at the tax written down value.

Temporary disuse

Where an asset is temporarily disused for business purposes, it is still entitled for capital allowances provided the asset was in use immediately prior to the disuse and during the period of disuse it is constantly maintained in readiness to be brought back into use for business purposes.

If the disuse ceases to be regarded as temporary, the asset will be deemed to have ceased to be used and any allowances granted during the period of temporary disuse will be clawed back.

Assets held for sale (AHFS)

If an asset is classified as AHFS in accordance with generally accepted accounting principles during the basis period, such asset is deemed to have been disposed of.

Special treatment has been prescribed which may vary the disposal date and / or disposal value of such assets from the normal rules.

Unabsorbed capital allowances

Any unabsorbed capital allowances can be carried forward indefinitely to be utilised against income from the same business source. For a dormant company, the unutilised capital allowances will be disregarded if there is a substantial change in shareholders.

Agriculture allowances

Qualifying agriculture expenditure	Rates (%)
Clearing and preparation of land	50
Planting (but not replanting) of crops on cleared land	50
Construction of a road or bridge on a farm	50
Building used as living accommodation or for welfare of a person employed in working a farm	20
Any other building	10

TAX INCENTIVES

Malaysia offers a wide range of tax incentives ranging from tax exemptions, allowances to enhanced tax deductions. Generally, tax incentives are available for tax resident companies.

Pioneer Status (PS) is an incentive in the form of tax exemption, which is granted to companies participating in promoted activities or producing promoted products, for a period of 5 or 10 years.

The alternative to the PS incentive is usually investment tax allowance (ITA). ITA is an incentive granted based on the capital expenditure incurred on industrial buildings, plant and machinery used for the purpose of promoted activities or the production of promoted products. This incentive is generally given for a period of 5 or 10 years.

PS and ITA are mutually exclusive. Where income is exempted under the PS incentive, tax exempt dividends may be paid out of the exempted income. Unutilised ITA can be carried forward until fully utilised. However unutilised PS losses can only be carried forward for a maximum period of 7 consecutive YAs after the end of the pioneer period. For unutilised PS losses accumulated as at YA 2018, where the incentive has already expired, these losses can be carried forward for another 7 YAs until YA 2025.

Malaysia has undertaken a review of its tax incentives and excluded royalties and intellectual property income from its tax incentives in line with the requirements of BEPS Action 5 (Counter Harmful Tax Practices More Effectively, Taking into Account Transparency and Substance).

An Approved Incentive Scheme is proposed for high technology activity in the manufacturing and services sectors and other activities which benefit the Malaysian economy. Under the scheme, a concessionary tax rate of not more than 20% is to be prescribed by the Minister of Finance.

In the following pages, we provide a summary of the main tax incentives for the relevant industry sectors.

Incentives		Years
Aerospace		
Aerospace companies in Malaysia undertaking specified high-value manufacturing / services (Applications received by 31.12.2025)		
New company	Income tax exemption of 70% to 100%	5 to 10
	ITA of 60% to 100% set-off against 70% to 100% of statutory income (SI)	5

TAX INCENTIVES

Incentives		Years
Existing company	ITA of 60% set-off against 70% of SI	5
Agriculture		
Main incentives		
Company producing promoted products or engaged in promoted activities	PS with tax exemption of 70% of SI; or	5
	ITA of 60% on qualifying expenditure (QE) set-off against 70% of SI	5
Allowance for increased exports (AIE)		
For prescribed agricultural produce	Allowance equal to 10% of the value of increased exports deducted against 70% of SI	
Enhanced AIE		
Company attaining / receiving*:	Rates of allowance, deductible up to 70% of SI:	
• Significant increase in export of at least 50%	30% of the value of increased exports	
• Penetration of new markets	50% of the value of increased exports	
• *Export Excellence Award	100% of the value of increased exports	
Reinvestment		
Company undertaking qualifying project in expansion, modernisation or diversification of its cultivation and farming business excluding the business of rearing chicken and ducks	Reinvestment Allowance of 60% of QE set-off against 70% of SI	15
Adoption of closed house system in the business of rearing chicken (QE incurred from YA 2023 to YA 2025)	Accelerated capital allowance of 100% of QE; and Income tax exemption of 100% on QE	
Company in resource-based industries	PS with tax exemption of 70% of SI; or	5
	ITA of 60% on QE set-off against 70% of SI	5
Special reinvestment allowance (RA)		
A special RA granted for YA 2020 to YA 2024 for selected agriculture projects which have exhausted their existing RA period and special RA granted for YA 2016 to YA 2018		

Incentives		Years
Food production project Company investing in a subsidiary company which undertakes new food production project*	Tax deduction equivalent to the amount of investment made	
Company undertaking food production project*:		
• New project	Income tax exemption of 100% of SI	10
• Expansion project for existing company	Income tax exemption of 100% of SI	5
* including planting of seeds for agro-food and high seas fishing projects, and includes agricultural projects based on Controlled Environment Agriculture for applications received by 31.12.2025.		
Angel Investor, Equity Crowdfunding and Venture Capital		
Angel investor Resident individual who invests in investee company (Applications received by 31.12.2023*, extended to 31.12.2026)*	Tax exemption of aggregate income in the second YA following the investment for a sum equal to the amount invested in the investee company (subject to conditions)	
Equity Crowdfunding Individual who invests *(including through a Limited Liability Partnership nominee company)* in equity crowdfunding from 1.1.2021 to 31.12.2023 *(extended to 31.12.2026)*	Tax exemption of aggregate income for a sum equal to 50% of the amount invested (subject to conditions)	
Venture capital (VC) Venture capital company (VCC)	Tax exemption on SI from all sources of income, other than interest income from savings or fixed deposits and profits from Syariah-based deposits (first certification from the Securities Commission to be obtained by 31.12.2026)	5
Venture capital management company	Tax exemption on share of profits, performance & management fees from investment made by VCC (until YA 2026)	-

TAX INCENTIVES

Incentives		Years
Resident investing in VCC fund	Single deduction equivalent to the amount of investment made in a VCC not later than 31.12.2026, limited to RM20 million a year	-
Resident investing in VC	Single deduction equivalent to the amount of investment in a VC not later than 31.12.2026	-
Automotive		
New manufacturing projects, and expansion and / or diversification projects for: • Assembly of Energy Efficient Vehicles (EEV) • Assembly of Next Generation Vehicle (NxGV) • Critical components / systems for EEV and non-EEV • Components for hybrid and electric vehicles • Components for NxGV	Income tax exemption; or Income tax exemption equivalent to ITA (Applications received by 31.12.2025)	5/10 5/10
Investment in manufacturing of electric vehicle charging equipment (Applications received by 31.12.2025)	Income tax exemption of 100% of SI from YA 2023 to YA 2032; or ITA of 100% on QE set-off against 100% of SI	 5
Rental of non-commercial electric vehicles	Tax deduction on rentals incurred from YA 2023 to YA 2025, *extended to YA 2027* (capped at RM300,000)	
Biotechnology		
BioNexus status company: (Applications received by 31.12.2024)		
• New business / expansion* of qualifying activity	Income tax exemption of 100% of SI; or ITA of 100% on QE set-off against 100% of SI	10/5* 5
	Industrial building allowance (IBA) of 10%	10

Incentives		Years
• Upon expiry of the tax exempt period	Concessionary tax rate of 20% of SI	10
Company or individual investor investing in BioNexus company	Single deduction equivalent to the value of investment in seed capital and early stage financing	-
Cold chain facilities		
New companies (providing cold room facilities for prescribed perishable agriculture produce)	PS with tax exemption of 70% of SI; or ITA of 60% on QE set-off against 70% of SI	5 5
Existing companies (reinvesting in cold room facilities for prescribed perishable agriculture produce)	PS with tax exemption of 70% of increased SI; or ITA of 60% on additional QE set-off against 70% of SI	5 5
Digital Ecosystem Acceleration Scheme (DESAC)		
Application received from 30.10.2021 to 31.12.2025		
Digital Technology Provider		
New company	Income tax rate of 0% to 10%	10
Existing company diversifying into new services or new segments	Income tax rate of 10%	10
Digital Infrastructure Provider		
New or existing provider	ITA of 100% on QE set-off against 100% SI	10
Economic corridors		
Iskandar Malaysia		
The following are three-tier package incentives for approved companies in Medini:		
• Approved developer	Income tax exemption of SI derived from rental or disposal of a building located in an approved area until YA 2025 (application received by 31.12.2025)	-
• Approved development manager	Income tax exemption of SI derived from the provision of management, supervisory or marketing services to approved developers until 2024	-
• IDR status company	Income tax exemption of SI derived from qualifying activities (application received by 31.12.2024); or	10

TAX INCENTIVES

Incentives		Years
	ITA of 100% of QE set-off against 100% of SI	5
Non-resident	Withholding tax exemption on royalty and technical fee received from IDR status company * from the date of commencement of qualifying activity	10*
Knowledge workers working in Iskandar Malaysia (applications received by 31.12.2022)	Income tax at 15% on chargeable income from employment with a designated company engaged in qualified activities	-

Northern Corridor Economic Region (NCER)

Investments in priority sectors of NCER may qualify for the following broad-based incentives as well as customised incentives:

1. Income tax exemption up to 100% for a period up to 15 years
2. ITA up to 100% on QE for a period up to 10 years
3. Import duty exemption on raw materials, components, machinery, spare parts and equipment
4. Stamp duty reduction of 50% on instruments of transfer or lease of land (Kedah & Perlis)

East Coast Economic Region (ECER)

(Applications received by 31.12.2024)

Qualifying person undertaking qualifying activity	Income tax exemption of SI; or Income tax exemption equivalent to 100% of QE	10 5
	Stamp duty exemption on instruments of transfer of real property or lease of land or building used for the purpose of carrying on a qualifying activity (executed by 31.12.2024)	-
Qualifying person undertaking special qualifying activity	Income tax exemption of 70% to 100% of SI and for a period as determined by the MoF; or Income tax exemption equivalent to 60% to 100% of QE incurred and within a period as determined by the MoF	- -
Approved developer undertaking development in industrial park or free zone	Income tax exemption of SI derived from: • disposal of any right over any land or disposal of a building or rights over building or part of building; or • rental of building or part of building	10

TAX INCENTIVES

Incentives		Years
Approved park managers	Income tax exemption of SI derived from the provision of park management services in the industrial park or free zone	10
Approved development manager	Income tax exemption of SI derived from the provision of management, supervisory or marketing services relating to the development of an industrial park or free zone	10
Company investing in a related company	Single deduction equivalent to the value of investment made into a related company carrying out qualifying activity or special qualifying activity	-
Company or individual who sponsors any hallmark event carried on in ECER	A deduction against business income of an amount not exceeding RM1 million per YA in respect of contribution in cash or in kind	
Knowledge worker residing and employed in ECER during the period 1.1.2022 to 31.12.2024	Income tax rate of 15% in respect of chargeable income from employment with a designated company in ECER	
Sarawak Corridor of Renewable Energy (SCORE) Investors who make strategic investments in SCORE can apply for customised special incentive packages.		
Sabah Development Corridor (SDC) (Applications received by 31.12.2022)		
Resident company undertaking qualifying activities	Income tax exemption of SI equivalent to 100% QE incurred for sectors of:	
	• Hotel and resort, creative, manufacturing (specified downstream sectors), education hub, marine (downstream), and shipping	5
	• Production of Halal products	10
	Income tax exemption of SI for sectors of:	
	• Creative and shipping	5
	• Hotel and resort, manufacturing (specified downstream sectors),	10

Incentives		Years
	education hub, and marine (downstream)	
Transfer of real property used in a qualifying tourism project	Stamp duty exemption on instruments executed by 31.12.2022	
Education & Training		
Kindergarten	Tax exemption of SI derived from the provision and maintenance of the kindergarten business	5
Non-profit oriented school / international school	Tax exemption of SI derived from the management of the school	-
Private / International school	Further deduction for expenses incurred for overseas promotion (not exceeding RM100,000 per YA)	-
Private higher education institution (PHEI)	ITA of 100% on QE set-off against 70% of SI (PHEI in the science field undertaking additional investment to upgrade equipment or expand their capacity)	10
	Further deduction for promotion of export of higher education	-
	Single deduction of the expenses incurred for the development and compliance of new courses claimed over 3 years	-
	Import duty exemption for educational equipment	-
Non-resident franchisor	Withholding tax exemption on royalty income for providing approved franchised education or training programmes to PHEI	-
New or existing technical / vocational training institute	ITA of 100% on QE set-off against 70% of SI	10
Export of private education	Exemption of income equal to 50% of the value of increased exports deducted against 70% of SI	-
Company providing / sponsoring scholarships	Single deduction on expenditure incurred for the provision of scholarship	-
	Double deduction for provision of scholarships to qualifying Malaysian	

Incentives	Years
students to pursue technical and vocational certificate, diploma, bachelor's degree, master's degree or doctor of philosophy (scholarship agreement executed from 1.1.2022 to 31.12.2025)	
Double deduction for provision of internship programme / Structured Internship Programme approved by Talent Corporation Malaysia Berhad (until YA 2025)	
Double deduction for training costs under the Professional Training and Education for Growing Entrepreneurs (PROTÉGÉ-Ready to Work (RTW)) Programme	
Single deduction for expenditure incurred for the provision of practical training to Malaysian resident non-employees	
Single deduction for pre-commencement of business training expenses for potential employees	
Double / further deduction for expenditure on approved training programmes incurred by companies which do not contribute to Human Resources Development Fund	

Financial Services

Real Estate Investment Trust (REIT) / Property Trust Fund (PTF)

- Tax exemption on all income if at least 90% of total income is distributed and the REIT / PTF is listed on Bursa Malaysia
- Special single deduction for consultancy, legal and valuation service fees incurred in the establishment of REIT
- Final withholding tax on income distribution from a REIT which has been exempted from tax received by:
  - non-corporate or foreign institutional investors - 10% (until YA 2025)
  - non-resident companies - 24%
- Transfer of real property to REIT
  - Stamp duty exemption on instruments of transfer / deed of assignment relating to the purchase of real property and instruments of transfer of real property to REIT / PTF
  - Real property gains tax exemption on disposal of real property to a REIT / PTF
  - No balancing charge on disposal of an industrial building from a company to a REIT. The REIT is eligible to claim the balance of unclaimed IBA of the disposer if the disposer company owns 50% or more of the units in the REIT

Incentives	Years
Unit Trust Tax exemption on interest income from any licensed bank / development financial institution except in the case of a unit trust which is a wholesale fund which is a money market fund	
Tax exemption on gains on realisation of investments	
Tax exemption on certain interest or discount – Refer to the chapter on *"Income exempt from tax"*	
Closed-end fund company Tax exemption on gains on realisation of investments	
Tax exemption on certain interest or discount – Refer to the chapter on *"Income exempt from tax"*	
Fund management Tax exemption on SI derived from the business of providing fund management services in respect of (until YA 2023): 1. funds managed in accordance with Syariah principles and certified by Securities Commission (SC) to the following investors *(extended to YA 2027 at reduced tax exemption rate of 60% of SI)*: • local investors and foreign investors in Malaysia; • Business Trust and REIT in Malaysia. 2. Sustainable and Responsible Investments (SRI) fund approved by the SC *(extended to YA 2027)*	

Islamic Finance

Issuance of Sukuk and Retail Sukuk under principles of Wakalah	• Deduction on expenses for the issuance of Sukuk • Deduction on expenses and double deduction on additional expenses for the issuance of Retail Sukuk (until YA 2025)
Issuance cost of SRI Sukuk	Tax deduction is given on the issuance costs of SRI Sukuk approved, authorised by or lodged with the SC (until YA 2023, *extended to YA 2027*)
Issuance cost of SRI-linked Sukuk	Tax deduction is given on the issuance costs of SRI-linked Sukuk that is approved or permitted or deposited with the SC. (w.e.f. YA 2023 to YA 2027)
Company that establishes a SPC solely for the purpose of issuance of Islamic securities	Single deduction for cost of issuance of Islamic securities incurred by a Special Purpose Company (SPC)

Incentives		Years
Islamic Securities Selling and Buying (ISSB)	*Income tax exemption on income arising from ISSB (w.e.f. YA 2024)*	
Islamic Financial Activities under Labuan International Business and Financial Centre	*Income tax exemption for 5 years for a Labuan entity that undertakes Islamic financial related trading activities such as Islamic digital banking, Islamic digital bourses, ummah-related companies and Islamic digital token issuers. (w.e.f. YA 2024 to YA 2028)*	
Global Services Hub		
Applications received from 14.10.2023 until 31.12.2027 *Global Services Hub tax incentive based on outcome-based approach on service income, or services & trading income as follows:* ***New company*** • *Income tax rate of 5% (Tier 1) or 10% (Tier 2)*		*5+5*
Existing company • *Income tax rate on value-added income at 5% (Tier 1) or 10% (Tier 2)*		5
Non-citizen individuals (monthly salary of at least RM35,000) holding key / C-Suite positions	*Income tax at 15% (up to 3 individuals)*	*3*
Green incentives		
Green technology (GT) (Applications received by 31.12.2023)		
Company undertaking qualifying **GT project** / purchase of **GT assets**	ITA of 100% on QE set-off against 70% of SI	3
Company undertaking **GT services**	Income tax exemption of 70% of SI	3
Company undertaking solar leasing activities *(Application period extended to 31.12.2026)*	Income tax exemption of 70% of SI: • Capacity of >3MW - ≤10MW • Capacity of >10MW - ≤30MW	 5 10
GT Project (Business purposes) *(Applications received from 1.1.2024 until 31.12.2026)*		
• *Tier 1 (Green hydrogen)*	*ITA of 100% on QE set-off against 70% / 100% of SI*	*5+5*
• *Tier 2 (Integrated waste management, Electric vehicle charging station)*	*ITA of 100% on QE set-off against 100% of SI*	*5*

TAX INCENTIVES

Incentives		Years
• *Tier 3 (Biomass, Biogas, Mini hydro, Geo thermal, Solar, Wind energy)*	*ITA of 100% on QE set-off against 70% of SI*	*5*
GT Asset (Own consumption) *(GT assets purchased from 1.1.2024 until 31.12.2026)*		
• *Tier 1 (Qualifying assets approved by MoF, Battery energy storage system, Green building)*	*ITA of 100% on QE set-off against 70% of SI*	*-*
• *Tier 2 (Qualifying assets approved by MoF, Renewable energy system, Energy efficiency)*	*ITA of 60% on QE set-off against 70% of SI*	*-*
Carbon capture and storage (CCS) (Applications received from 25.2.2023 to 31.12.2027)		
Companies undertaking CCS in-house activities	ITA of 100% on QE set-off against 100% SI	10
	Full import duty and sales tax exemption on equipment for CCS technology (w.e.f. 1.1.2023 to 31.12.2027)	
	Tax deduction for allowable pre-commencement expense within 5 years from date of commencement of operation	
Companies undertaking CCS services	ITA of 100% on QE set-off against 100% SI; or Income tax exemption of 70% SI	10
	Full import duty and sales tax exemption on equipment for CCS technology (w.e.f. 1.1.2023 to 31.12.2027)	
Companies engaging CCS services	Tax deduction for fees incurred for use of CCS services (w.e.f. YA 2023 to YA 2027)	
Voluntary Carbon Market		
Development of carbon projects registered with an international standards body recognised by Bursa	*Further tax deduction up to RM300,000 for costs incurred on Development and Measurement, Reporting and Verification related to*	*-*

TAX INCENTIVES

Incentives		Years
Malaysia (Applications received from 1.1.2024 until 31.12.2026)	*carbon projects (certified by Malaysia Green Technology and Climate Change Corporation), against the carbon credits income traded on Bursa Carbon Exchange*	
Smart Artificial Intelligence (AI)-Driven Reverse Vending Machine		
Contributions / sponsorships of smart vending machines which utilise smart AI	Tax deduction for the contributions or sponsorships made from 1.4.2023 to 31.12.2024 and applications received in the same period	
Halal incentives		
Halal food production outside halal parks:		
• New companies • Existing companies diversifying production or upgrading/ expanding of existing plant	ITA of 100% on QE set-off against 100% SI	5
Halal industry players located in designated halal parks:		
New companies producing prescribed halal products	100% tax exemption on QE; or Tax exemption on export sales	10 5
	Double deduction for costs in obtaining international quality standard certification	-
	Import duty exemption on raw materials used for the development and production of halal promoted products	-
Halal park operators (HALMAS status)	100% tax exemption; or 100% tax exemption on QE	10 5
	Import duty exemption on equipment, components and machinery used in cold room operations	-
Halal logistics operators	100% tax exemption; or 100% tax exemption on QE	5 5
	Import duty exemption on equipment, components and machinery used in cold room operations	-
Halal certification	Double deduction for expenses incurred in obtaining halal certification issued by an approved certification body	-

TAX INCENTIVES

Incentives		Years
Healthcare & Wellness		
Mines Wellness City (MWC)		
MWC developer (undertaking new development in MWC) Note 1 - From the first YA the MWC developer derives SI until YA 2023 Note 2 - From the first YA the MWC developer derives SI until YA 2026	Income tax exemption of 100% of SI from: • disposal of any rights over any land; or disposal of building or rights over a building or part of a building located in MWC; or • rental of a building or part of a building located in MWC	Note 1 Note 2
	Stamp duty exemption of 50% on instruments of transfer or lease of land or building in the MWC executed by 31.12.2023	-
MWC development manager Note 3 - From the first YA the MWC manager derives SI until YA 2023	PS with tax exemption of 100% of SI derived from providing management, supervisory or marketing services to MWC Developer in the MWC	Note 3
MWC operator	PS with tax exemption of 70% of SI derived from qualifying activities carried out in the MWC; or ITA of 60% on QE set-off against 70% of SI for each YA (Applications received by 31.12.2026)	5 5
Professional services Export of medical and dental services	Further deduction of QE incurred for the purpose of the export of services / professional services	-
Charitable hospitals registered as Company Limited by Guarantee	Income tax exemption equivalent to the amount of expenses incurred for charity	5
	Tax deduction up to 10% of aggregate income for donors	
Hotel & Tourism		
Medium & low cost hotels up to 3 star / Holiday camps & recreational projects / Convention centre / Tourism projects	Income tax exemption of 70% of SI; or ITA of 60% on QE set-off against 70% of SI	5 5
Reinvestment in hotels – companies expanding,	ITA of 60% on QE set-off against 70% of SI	5

TAX INCENTIVES

Incentives		Years
modernising and renovating (up to 3 rounds of reinvestment)	ITA of 100% on QE set-off against 100% of SI (4 and 5 star hotels in Sabah & Sarawak)	5
Reinvestment in tourism projects (up to 2 rounds of reinvestment)	Income tax exemption of 70% of SI; or ITA of 60% on QE set-off against 70% of SI	5 5
Extension and modernisation of existing hotel buildings	Refer to the chapter on *"Capital Allowance"*	-
Sponsoring of any approved arts, cultural or heritage activity	Single deduction of up to RM1,000,000 [of which only RM300,000 is allowed for sponsoring foreign arts, cultural or heritage activity]	-
Hotel / Tour operators	Further deduction on overseas promotion of tourism in Malaysia	-
Tour operators	Accelerated Capital Allowance (ACA) (Initial Allowance (IA) of 20% & Annual Allowance (AA) of 40%) on QE incurred on the purchase of new locally assembled excursion bus (w.e.f. YA 2020 to YA 2024)	
International theme park for tourism project (New investment)	PS with tax exemption of 100% of SI; or ITA of 100% on QE set-off against 70% of SI	5 5
Promotion / organisation of conferences - companies whose main activities are not promoting / organising of conferences	Income tax exemption of 100% of SI where at least 500 foreign participants are brought in annually through conferences hosted (w.e.f. YA 2020 to YA 2025)	-
Approved arts, cultural, sports and recreational activities organiser	Income tax exemption of 50% of SI (w.e.f. YA 2020 to YA 2025)	-
Hoteliers which purchase Malaysian-made handicraft from handicraft entrepreneurs registered with Perbadanan Kemajuan Kraftangan Malaysia	Special tax deduction up to RM150,000 for qualifying handicraft products expenditure incurred from 1.1.2023 to 31.12.2025	

TAX INCENTIVES

Incentives		Years
Logistics & Shipping		
Non-resident person who receives income from a Malaysian shipping company	Withholding tax exemption on income from: • rental of a ship on a voyage, time charter or bare boat basis; or • rental of International Standard Organisation containers	-
Company undertaking or intending to expand / diversify into integrated logistics service	Income tax exemption of 70% of SI; or ITA of 60% on QE set-off against 70% of SI	5 5
Ship building and repairing (Applications received from 1.1.2020 to 31.12.2027)		
New company	PS with tax exemption of 70% of SI; or ITA of 60% of QE set-off against 70% of SI	5
Existing company	ITA of 60% of QE set-off against 70% of SI	5
Manufacturing		
Main incentives		
Manufacturers producing promoted products or engaged in promoted activities	PS with tax exemption of 70% of SI; or ITA of 60% on QE set-off against 70% of SI	5 5
Enhanced incentives		
Manufacturer of selected machinery & equipment (M&E) and specialised M&E	PS with tax exemption of 100% of SI; or ITA of 100% on QE set-off against 100% of SI	10 5
High technology projects	PS with tax exemption of 100% of SI; or ITA of 60% on QE set-off against 100% of SI	5 5
Industrialised Building System (IBS) Components Applications received by 31.12.2025		
Companies producing IBS components or IBS system (at least 3 basic IBS components)	ITA of 60% on QE set-off against 70% of SI	5

TAX INCENTIVES

Incentives		Years
Relocation of overseas business operations / facilities to Malaysia		
Manufacturing sector (applications received by 31.12.2024)		
New company	0% tax rate (new investment in manufacturing sector with capital investment of RM300 million - RM500 million)	10
	0% tax rate (new investment in manufacturing sector with capital investment above RM500 million)	15
Existing company	ITA of 100% on QE set-off against 100% of SI (for relocation of manufacturing operation with capital investment above RM300 million)	5
Automation capital allowance		
Refer to the chapter on "*Capital Allowance*"		
Reinvestment		
Company undertaking qualifying project in expansion, modernisation, automation or diversification of existing manufacturing business • Similar to Reinvestment incentives under *"Agriculture"* sector		
Reinvestment under the New Industrial Master Plan 2030 (NIMP 2030)		
Companies which have exhausted their existing reinvestment allowance eligibility period and which increases capacity and investment in high-value activities under the NIMP 2030 (application received from 1.1.2024 to 31.12.2028)	*ITA based on outcome approach:* • *Tier 1 - QE of 100% set-off against 100% of SI* • *Tier 2 - QE of 60% set-off against 70% of SI*	*-* *-*
Special reinvestment allowance (RA)		
A special RA granted for YA 2020 to YA 2024 for existing manufacturing companies which have exhausted their existing RA period and special RA granted for YA 2016 to YA 2018.		
Industry4WRD		
Manufacturing and manufacturing-related services sector	Single deduction of up to RM27,000 paid to the Malaysian Productivity Corporation on readiness assessment expenses of I4.0-RA incurred from 2.1.2019 to 31.12.2025 (until YA 2026)	
Anchor Company	Double deduction of up to RM1 million per year for 3 consecutive YAs on qualifying operating expenditure of product development, upgrading	

Incentives		Years
	capabilities and skill training of vendors incurred in implementing Industry4WRD Vendor Development Program as verified by the Ministry of International Trade and Industries (MITI) (MOU signed between company and MITI from 1.1.2019 to 31.12.2021)	
Allowance for increased exports (AIE)		
Manufacturer attaining:	Rates of allowance, deductible up to 70% of SI:	
• 30% of value added exports	10% of the value of increased exports	-
• 50% of value added exports	15% of the value of increased exports	-
Enhanced AIE		
Similar to Enhanced AIE incentives under *"Agriculture"* sector		
Deductions		
Manufacturer shipping goods from Sabah or Sarawak to any port in Peninsular Malaysia	Further deduction of freight charges incurred on the shipment of goods	-
Manufacturers	Further / double deduction on the promotional expenditure incurred in seeking opportunities or in creating or increasing demand for the exports	-
Anchor company which participates in a Vendor Development *Programme*	Double deduction of up to RM300,000 (RM500,000*) per YA for 3 consecutive YAs on QE incurred by an anchor company to carry out prescribed activities. (MOU signed between company and MITI from 1.1.2014 to 31.12.2020, *for MOU signed with Ministry of Entrepreneur Development and Cooperatives from 1.1.2021 to 31.12.2025)	
Malaysia Digital		
Malaysia Digital (MD) Status (formerly known as MSC Malaysia Status)		
MD status company that undertakes qualifying activity by utilising MD promoted tech enablers	Reduced tax rate on qualifying intellectual property (IP) income and non-IP income, or	up to 10
	ITA	5
	Import duty exemption for multimedia equipment	-

TAX INCENTIVES

Incentives		Years
Others		
Owner of a building in Cyberjaya Flagship Zone used for his business or rented to an approved MD status company	IBA at 10% of the qualifying building expenditure incurred for approved activities	10
National & Strategic Projects		
Approved business eligible for special incentive scheme (pre-package)	Tax exemption of SI; or	up to 15
	Tax exemption equivalent to amount of QE set-off against SI (rates and period to be determined by MoF)	up to 10
Approved services projects in areas of transportation, communications and utilities	Investment Allowance of 60% to 100% of QE set-off against 70% to 100% of SI; or	5
	Tax exemption of 70% to 100% of SI (rates and period to be determined by MoF)	5 or 10
	IBA	-
	Import duty exemption on machinery and equipment	-
Projects / products of national strategic importance	PS with tax exemption of 100% of SI (extendable for another 5 years); or	5
	ITA of 100% on QE set-off against 100% of SI	5
Oil & Gas		
Chargeable person carrying out petroleum operations in qualifying project	Investment Allowance of 60% of QE set-off against 70% of SI in respect of a qualifying project or infrastructure asset as determined by the Minister	10
Labuan International Commodity Trading Company which undertakes qualifying activity under the Global Incentives for Trading programme	Tax exemption on income derived purely from the trading of physical and related derivatives instruments of liquefied natural gas (LNG)	3
	Taxed at 3% on chargeable profits derived from the trading of physical and related derivatives instruments of: a) petroleum and petroleum-related products including LNG, b) minerals,	-

TAX INCENTIVES

Incentives		Years
	c) agriculture products, d) refined raw materials, e) chemicals, f) base minerals, g) coal	
Investment in Late-Life Asset (LLA) projects in upstream petroleum industry (LLA Production Sharing Contracts awarded from 1.1.2020 to 31.12.2029)	Petroleum income tax rate at 25%	
	ACA (IA 20%, AA 40%) within 2 years	
	Carry back of losses from decommissioning activities to be utilised against income for 2 consecutive immediate preceding YAs	
	Exemption from export duty on petroleum products	
Pengerang Integrated Petroleum Complex (PIPC)		
Chemical and petrochemical manufacturing company with minimum investment of RM500 million	• *Income tax rate of 5% / 10% on income from qualifying activities, or* • *ITA of 100% set-off against 70% of SI*	*Up to 10*
Developers of industrial areas in the PIPC	*Income tax rate of 10% on the income from sale or rental activities for a qualifying project*	*10*
Research & Development (R&D)		
In-house R&D project	ITA of 50% on QE set-off against 70% of SI	10
Contract R&D status company	PS with tax exemption of 100% of SI; or	5
	ITA of 100% on QE set-off against 70% of SI	10
R&D status company	ITA of 100% on QE set-off against 70% of SI	10
Any person making contribution / payment to approved research institute / company (conditions apply to related companies)	Double deduction for the following expenditure: • cash contribution to an approved research institute • payment for use of services of an approved research institute / company • payment for use of services of a R&D or contract R&D company	-

Incentives		Years
In-house R&D by a person resident in Malaysia	Double deduction for approved in-house R&D expenditure of which any amount incurred outside Malaysia for that year is not more than 30% of the total expenditure for that year	-
R&D undertaken by a person or on his behalf	Single deduction for R&D expenditure	-
Building used for approved research or by an R&D or contract R&D company	IBA (IA 10%, AA 3%)	-
Qualifying company undertaking commercialisation of public* R&D findings (investee company)(*including private higher learning institutions)	Tax exemption of SI derived from the commercialisation of R&D findings (including non-resource based) (Applications received by 31.12.2025)	10
Qualifying company investing in commercialisation of public* R&D findings (investor company)(*including private higher learning institutions)	Single deduction for value of investment made to its related company which undertakes the commercialisation of R&D findings (including non-resource based) (Applications received by 31.12.2025)	-
Approved New Technology Based Firm	Tax exemption on adjusted income consisting of the development or commercialisation of technological innovations	5
Tun Razak Exchange (TRX)		
Approved property developer undertaking development in TRX	Income tax exemption of 70% of SI from the: • disposal of any building or rights over any building or part of a building within TRX (until YA 2025); • rental of building or part of a building within TRX (until YA 2027)	5
TRX Marquee status company	ACA (IA 20%, AA 40%) on renovation cost on a building or part of a building located in TRX (until 31.12.2025)	-
	IBA of 10% on a commercial building within TRX (eligibility period until 31.12.2025)	10

Incentives		Years
	50% further deduction for rental of commercial building used for the purpose of its business in TRX (eligibility period until 31.12.2025)	10
	Single deduction for prescribed relocation costs to relocate part or whole business to TRX. Relocation to take place no later than 31.12.2025	
Others		
Brand name, quality and accreditation Further deduction for advertising expenditure and professional fees incurred to promote / advertise Malaysian brand names		
Double deduction for cost of obtaining quality system and standards certification		
Single deduction for cost of obtaining accreditation for a laboratory or as a certification body		
Export incentives for services sector Further deduction of QE for the purpose of export of services / professional services		
Allowance for increased export equal to 50% of the value of the increased export of qualifying services, set-off against 70% of SI		
Employer related incentives Further deduction for the remuneration paid to an employee who is physically or mentally handicapped		
Further deduction on expenditure incurred for the provision and maintenance of childcare centre for the benefit of their employees or childcare allowance given to their employees		
Further deduction for employers hiring workers affected by accidents or critical illnesses and certified by SOCSO to be fit to work		
Further deduction for the employment of senior citizens (60 years and above) or ex-convicts, inmates / ex-inmates of Henry Gurney School under the Malaysian Prison Department, and protection and rehabilitation institutions and care centres under the Social Welfare Department, with a monthly remuneration up to RM4,000 (until YA 2025)		
Single deduction for provision of personal protective equipment to employees, purchase of thermal scanners and COVID-19 testing		
Further deduction for remuneration incurred for recruiting former national athletes (YA 2023 to YA 2024)		

TAX INCENTIVES

Incentives	Years
Listing expenses Single deduction of up to RM1.5 million on specified listing costs incurred by prescribed technology-based companies, listing on ACE or LEAP, and from YA 2023 on Bursa Main Market (until YA 2025)	
Social responsibility Single deduction for approved expenditure incurred on environmental preservation and conservation projects, or for maintenance of heritage building certified under the National Heritage Act 2005	
Tax deduction for contributions or sponsoring activities related to tree planting, environmental preservation and conservation awareness projects verified by Forest Research Institute Malaysia (applications received from 1.1.2024 to 31.12.2026)	
Tax deduction for contributions to approved Social Enterprise	
Income tax exemption on all income of an accredited Social Enterprise up to 3 YAs (applications received by 31.12.2023, *extended to 31.12.2025*)	
Tax deduction up to RM50,000 for each YA on the following expenditure incurred on Environmental, Social and Governance (ESG) related expenditure (w.e.f. YA 2024 until YA 2027): • *Enhance Sustainability Reporting Framework* • *Climate Risk Management and Scenario Analysis* • *LHDN Tax Corporate Governance Framework* • *Transfer Pricing Documentation* • *E-invoicing implementation for MSMEs* • *Any ESG reporting by companies to an approved regulator by MoF*	
Others Tax deduction up to 10% of aggregate income for contributions made to the Tabung Komuniti Filem dan Pembangunan Filem Kenegaraan under FINAS	
Special income tax rate ranging from 0% to 10% for foreign film production companies which conduct filming in Malaysia	
Tax deduction up to 10% aggregate income, for contribution to nonprofit-based organisations involved in the development of sport at grassroot levels	

INCOME EXEMPT FROM TAX

- **Compensation for loss of employment and payments for restrictive covenants**
  - full exemption if due to ill health; or
  - RM10,000 for every completed year of service with the same employer / companies in the same group.
- **Dividends** paid, credited or distributed by co-operative societies to their members.
- **Fees or honorarium** (not part of official duties) for validating, moderating or accrediting franchised educational programmes in higher educational institutions.
- **Foreign-sourced income of residents** received in Malaysia from outside Malaysia from 1 January 2022 to 31 December 2026 (subject to conditions) for:
  - **resident individuals** in respect of all classes of income except for income which is received through a partnership business in Malaysia.
  - **resident individuals** in respect of dividend income received through a partnership business in Malaysia.
  - **resident companies and limited liability partnerships (LLP)** (other than residents carrying on the business of banking, insurance, sea or air transport) in respect of dividend income.
- **Foreign-sourced income of non-resident** persons received in Malaysia from outside Malaysia.
- **Grant or subsidy** received from the Federal or State Government.
- **Green Sustainable and Responsible Investments (SRI) sukuk grant** issued in line with the Securities Commission's (SC) guidelines and **SRI sukuk and bond** that meets the ASEAN Green, Social and Sustainability Bond Standards approved by the SC. *W.e.f. 1 January 2024, expanded to include SRI-Linked Sukuk Grants and bonds issued under the ASEAN Sustainability-Linked Bond Standards approved by SC.* (Applications received by 31 December 2025).
- **Income (other than dividends, lending fees, interest earned on collateral and rebates)** arising from a loan of securities listed on Bursa Malaysia and the return of the same or equivalent securities, and the corresponding exchange of collateral, in respect of securities borrowing and lending transaction under a Securities Borrowing and Lending Agreement.

INCOME EXEMPT FROM TAX

- **Income from employment on board a ship** (defined) used in a business operated by a resident owner of a ship registered under the Merchant Shipping Ordinance 1952.
- **Income from director's fees** received by a non-Malaysian citizen director of a Labuan entity (until YA 2025).
- **Interest** paid / credited to non-resident companies in respect of:
  - government securities; or
  - sukuk or debentures issued in Malaysian Ringgit (other than convertible loan stock) approved or authorised by, or lodged with, the SC.

  The exemption does not apply to interest paid or credited:
  - to a company in the same group; or
  - by a special purpose vehicle (SPV) to a company pursuant to the issuance of asset-backed securities lodged with the SC where the company and the person who establishes the SPV are in the same group (w.e.f. 1 January 2022)
- **Interest or bonus, gains or profits** received by a resident individual from deposits placed in licensed institutions.
- **Interest or discount** paid / credited to any individual, unit trust and listed closed-end fund in respect of:
  - bonds or securities issued or guaranteed by the Government;
  - debentures or sukuk (other than convertible loan stock) approved or authorised by, or lodged with, the SC; or
  - Bon Simpanan Malaysia issued by Bank Negara Malaysia (BNM).
- **Interest** paid / credited to any individual in respect of Merdeka bonds issued by BNM.
- **Interest** paid / credited to any person in respect of any savings certificate issued by the government.
- **Interest** paid / credited to any person in respect sukuk originating from Malaysia (other than convertible loan stock) issued in any currency other than Malaysian Ringgit and approved or authorised by, or lodged with, the SC, or approved by the Labuan Financial Services Authority (Labuan FSA).

The exemption does not apply to interest paid or credited:

- to a company in the same group;
- to licensed bank, licensed Islamic bank and prescribed development financial institution; or
- by a SPV to a company pursuant to the issuance of asset-backed securities lodged with the SC or approved by the Labuan FSA where the company and the person who establishes the SPV are in the same group (w.e.f. 1 January 2022)

- **Pensions**, which is derived from an employment exercised in Malaysia, where the recipient has reached the age of 55, or the compulsory retirement age or retires due to ill health.
- **Perquisites** (in cash or in kind) for long service (more than 10 years of employment with the same employer), past achievement or service excellence, innovation, or productivity award up to an amount or value of RM2,000 per YA.
- **Profit** paid, credited or distributed to partners by an LLP.
- **Profits earned by individual investors** from investments made (during the period 1 April 2016 to 31 March 2019) through an Investment Account Platform is exempted from tax for 3 consecutive years.
- **Prize money** received from recognised e-sports tournaments.
- **Retirement gratuities are fully exempt:**
  - where the retirement is due to ill health; or
  - on or after reaching the age of 55 or other compulsory age of retirement*
  - upon reaching compulsory retirement age pursuant to an employment contract or collective agreement at the age of 50 but before 55*

  * Employment has lasted 10 years with the same employer or with companies in the same group.

- **Retirement gratuity or termination payment other than gratuities which are fully exempted,** up to an amount not exceeding RM1,000 per completed year of service.

INCOME EXEMPT FROM TAX

- **Royalties** received by an individual resident in Malaysia in respect of:

	Amount exempted per YA (RM)
Publication of, or the use of, or the right to use, any artistic work / recording discs or tapes	10,000
Publication of, or the use of, or the right to use, any literary work or any original painting	20,000
Any musical composition	20,000

- **Royalties** received by non-resident franchisors from registered private higher educational institutions for approved franchised educational programmes.
- **Statutory income derived from members'** subscription fees received by trade associations.

DOUBLE TAX TREATIES AND WITHHOLDING TAX RATES

Withholding tax is a method of collecting taxes from non-residents who have derived income which is subject to Malaysian tax. Any tax resident person who is liable to make certain specified types of payments to a non-resident is required to deduct withholding tax at a prescribed rate applicable to the gross payment and remit it to the Malaysian Inland Revenue Board within one month of paying or crediting.

Payments subject to Withholding Tax	Rates (%)*
Interest	15
Royalties	10
Dividends	Nil
Contract payments (services rendered in Malaysia) • Contractor's liability • Employees' liability	 10 3
Special classes of income • Advice, assistance or services rendered in Malaysia • Rental of movable properties	10
Other gains or profits	10

* A reduced rate may be provided under the double tax agreement with certain treaty partners

The following countries have concluded double tax treaties with Malaysia:

Treaty countries	Rate of withholding tax %		
	Interest	Royalties	Technical Fees
Albania	10 or Nil	10	10
Australia	15 or Nil	10	Nil
Austria	15 or Nil	10	10
Bahrain	5 or Nil	8	10
Bangladesh	15 or Nil	10 or Nil	10
Belgium	10 or 15 or Nil	10	10
Bosnia & Herzegovina	10 or Nil	8	10
Brunei	10 or Nil	10	10
Cambodia	10 or Nil	10	10
Canada	15 or Nil	10 or Nil	10
Chile	15	10	5
China, People's Republic	10 or Nil	10	10
Croatia	10 or Nil	10	10
Czech Republic	12 or Nil	10	10

DOUBLE TAX TREATIES AND WITHHOLDING TAX RATES

Treaty countries	Rate of withholding tax %		
	Interest	Royalties	Technical Fees
Denmark	15	10	10
Egypt	15 or Nil	10	10
Fiji	15 or Nil	10	10
Finland	15 or Nil	10 or Nil	10
France	15 or Nil	10 or Nil	10
Germany	10 or Nil	7	7
Hong Kong	10 or Nil	8	5
Hungary	15 or Nil	10	10
India	10 or Nil	10	10
Indonesia	10 or Nil	10	10
Iran	15 or Nil	10	10
Ireland	10 or Nil	8	10
Italy	15 or Nil	10 or Nil	10
Japan	10 or Nil	10	10
Jordan	15 or Nil	10	10
Kazakhstan	10 or Nil	10	10
Korea Republic	15 or Nil	10 or Nil	10
Kuwait	10 or Nil	10	10
Kyrgyz Republic	10 or Nil	10	10
Laos	10 or Nil	10	10
Lebanese Republic	10 or Nil	8	10
Luxembourg	10 or Nil	8	8
Malta	15 or Nil	10	10
Mauritius	15 or Nil	10	10
Mongolia	10 or Nil	10	10
Morocco	10 or Nil	10	10
Myanmar	10 or Nil	10	10
Namibia	10 or Nil	5	5
Netherlands	10 or Nil	8 or Nil	8
New Zealand	15 or Nil	10 or Nil	10
Norway	15 or Nil	10 or Nil	10
Pakistan	15 or Nil	10 or Nil	10
Papua New Guinea	15 or Nil	10	10
Philippines	15 or Nil	10 or Nil	10

DOUBLE TAX TREATIES AND WITHHOLDING TAX RATES

Treaty countries	Rate of withholding tax %		
	Interest	Royalties	Technical Fees
Poland	10 or Nil	8	8
Qatar	5 or Nil	8	8
Romania	15 or Nil	10 or Nil	10
Russian Federation	15 or Nil	10 or Nil	10
San Marino	10 or Nil	10	10
Saudi Arabia[2]	5 or Nil	8	8
Senegal[1]	10 or Nil	10	10
Seychelles Republic	10 or Nil	10	10
Singapore	10 or Nil	8	5
Slovak Republic	10 or Nil	10	5
South Africa	10 or Nil	5	5
Spain	10 or Nil	7	5
Sri Lanka	10 or Nil	10	10
Sudan	10 or Nil	10	10
Sweden	10 or Nil	8	8
Switzerland	10 or Nil	10 or Nil	10
Syria	10 or Nil	10	10
Thailand	15 or Nil	10 or Nil	10
Turkey	15 or Nil	10	10
Turkmenistan	10 or Nil	10	Nil
Ukraine	10 or Nil	8	8
United Arab Emirates	5 or Nil	10	10
United Kingdom	10 or Nil	8	8
Uzbekistan	10 or Nil	10	10
Venezuela	15 or Nil	10	10
Vietnam	10 or Nil	10	10
Zimbabwe	10 or Nil	10	10

1 - Status pending

2 - Malaysia also has a limited double tax treaty covering air transport operations with Saudi Arabia

Notes:

- Argentina and the United States of America – Limited double tax treaty covering air and sea transport operations in international traffic.
- There is no withholding tax on dividends paid by Malaysian companies

TAXES ON CAPITAL GAINS

1. *Real Property Gains Tax*

Scope

Every person whether or not resident is chargeable to Real Property Gains Tax (RPGT) on gains arising from disposal of real property, including shares in a real property company (RPC). Real property is defined as any land situated in Malaysia and any interest, option or other right in or over such land.

RPC is essentially a controlled company where its total tangible assets consist of 75% or more in real property and / or shares in another RPC. A controlled company is essentially a company owned by not more than 50 members and controlled by not more than 5 persons. *With the introduction of capital gains tax (CGT) (refer to Tax on Capital Gains), the disposal of shares in an RPC by persons subject to CGT from 1 January 2024* will be subject to CGT instead of RPGT.*

** Per Finance (No. 2) Bill 2023 as tabled in Parliament on 7 November 2023.*

Disposal is generally triggered upon transfer of ownership from one person to another whether by way of sale, conveyance, assignment, settlement, alienation, etc.

RPGT rates

Disposal	RPGT rates		
	Companies / Trustee[1] / Society[3] (%)	Individuals[#] (%)	Individuals[2], Executor of deceased estate[2], Companies[2] (%)
Within 3 years	30	30	30
In the 4th year	20	20	30
In the 5th year	15	15	30
In the 6th and subsequent years	10	0	10

[#] Citizens and permanent residents

1 - Companies incorporated in Malaysia or a trustee of a trust

2 - Non-citizens and non-permanent residents, and companies not incorporated in Malaysia

3 - Society registered under the Societies Act 1966 and body of persons registered under any written law in Malaysia

Returns and assessment

For each disposal, both the disposer and acquirer are required to submit RPGT returns respectively within 60 days from the date of disposal. The Director General of Inland Revenue (DGIR) shall raise an assessment based on the RPGT returns. *W.e.f. 1 January 2025, the self-assessment system will be implemented for RPGT and the returns furnished will be deemed as assessments raised by the DGIR.*

Date of disposal

The date of disposal is taken as the date of the written agreement of the disposal. In the absence of a written agreement, the date shall be taken as the earlier of full payment of the purchase consideration or the date when all things which are necessary for the transfer of ownership of the real property under any written law has been done. Where the disposal is subject to approval from the Government or State Government, the date of disposal is the date of such approval or if the approval is conditional, the date when the last condition is satisfied.

Withholding by acquirer

Where the purchase consideration consists wholly or partly of cash, the acquirer is required to withhold the lower of the entire cash consideration or:

- 7% of the total acquisition price where the disposer is not a citizen and not a permanent resident, or an executor of estate of a deceased person who is not a citizen and not a permanent resident, or a company not incorporated in Malaysia
- 5% of the total acquisition price where the disposer is a company incorporated in Malaysia, or a trustee of a trust, or a body of person registered under any written law in Malaysia and the disposal is made within 3 years of acquisition
- 3% of the total acquisition price in all other cases.

That amount, whether or not withheld by the acquirer, is to be remitted to the DGIR within 60 days from the date of disposal. The amount remitted to the DGIR is to be applied against the RPGT payable by the disposer.

Payment by disposer

The disposer is required to settle the balance of RPGT payable within 30 days from the date of the notice of assessment.

Exemptions

The following are some examples of exemptions from RPGT:

- an amount of RM10,000 or 10% of the chargeable gain, whichever is greater, accruing to an individual.
- gain accruing to an individual who is a citizen or a permanent resident in respect of the disposal of one private residence.
- disposal of assets in connection with securitisation of assets.
- disposal of assets to Real Estate Investment Trusts and Property Trust Funds.

The following are some examples of transactions where the disposal price is deemed to be equal to its acquisition price:

- devolution of assets of a deceased individual.
- transfer of assets (owned by a citizen) between spouses.
- gifts made to the Government, State Government, local authority or approved charity.
- disposal of asset as a result of compulsory acquisition under any law.
- disposal of chargeable asset pursuant to a scheme of financing approved by Bank Negara Malaysia, Labuan Financial Services Authority, Malaysian Co-operative Societies Commission or the Securities Commission as a scheme which is in accordance with the principles of Syariah.

The following are some examples of transactions where the disposer is treated to have received no gain and suffered no loss:

- transfer of real property with prior approval of the DGIR by a company to companies in the same group to bring about greater efficiency in operation for a consideration consisting of not less than 75% in shares.
- transfer by way of gift between husband and wife, parent and child, or grandparent and grandchild, provided the donor is a citizen.

- W.e.f. 1 June 2023, transfer between former spouses pursuant to a court order in consequence of a dissolution / annulment of marriage, where the transferor is a citizen.

2. Tax on Capital Gains

W.e.f. 1 January 2024, CGT will be imposed on the gains from disposal of capital assets by companies, LLPs, co-operatives and trust bodies as follows:*

a) Capital asset situated in Malaysia

- *Shares in unlisted companies incorporated in Malaysia*
- *Shares in foreign incorporated company deriving value (directly or indirectly) from real property in Malaysia*

Acquisition date of capital asset	CGT rate		
	On net gains (chargeable income)		On gross disposal price
Before 1 January 2024*	10%	or	2%
From 1 January 2024*	10%		Not applicable

** Per Finance (No. 2) Bill 2023 as tabled in Parliament on 7 November 2023.*

However, subject to conditions, it is proposed that CGT exemption will be given for disposal of shares relating to:

- *Initial Public Offering approved by Bursa Malaysia*
- *Restructuring of shares within the same group*
- *Venture capital companies*

b) Gains from disposal of all types of capital assets situated outside Malaysia, remitted into Malaysia

Based on prevailing income tax rate of the taxpayer, for example:

- *Companies, LLPs and trust bodies: 24%*
- *Co-operatives: 0% - 24% (scaled rates)*

However, gains remitted into Malaysia are eligible for CGT exemption subject to meeting economic substance requirements.

Under Budget 2024, it is announced that individuals will not be subject to CGT.

STAMP DUTY

Basis of taxation

Stamp duty is chargeable on instruments and not on transactions.

An unstamped or insufficiently stamped instrument is not admissible as evidence in a court of law, nor will it be acted upon by a public officer.

Assessment and payment of stamp duty can be made electronically via the Stamp Assessment and Payment System.

Rates of duty

The rates of duty vary according to the nature of the instruments and transacted values. Generally, transfer of properties can give rise to significant stamp duty:

a) Properties (other than shares, stock or marketable securities)

1. Other than foreign companies, non-citizens and non-permanent residents

	Value (RM)	Rate	Duty payable (RM)
On the first	100,000	RM1 per RM100 or part thereof	1,000
On the next	400,000	RM2 per RM100 or part thereof	8,000
On the next	500,000	RM3 per RM100 or part thereof	15,000
	1,000,000		24,000
In excess of	1,000,000	RM4 per RM100 or part thereof	

2. Foreign companies, non-citizens and non-permanent residents

Flat rate stamp duty of RM4 per RM100 or part thereof (w.e.f. 1 January 2024)

b) Non-listed shares, stock or marketable securities

RM3 for every RM1,000 or any fraction thereof based on consideration or value, whichever is greater. The Stamp Office generally adopts one of the 2 methods for valuation of unlisted ordinary shares for purposes of stamp duty:

- net tangible assets; or
- sale consideration.

c) Shares or stock listed on Bursa Malaysia

RM1.50 for every RM1,000 or any fraction thereof based on the transaction value. However, stamp duty in excess of 0.1% is remitted for instruments of contract notes executed on or before 13 July 2023 until 12 July 2028, with maximum stamp duty payable of RM1,000 per contract note.

d) Listed marketable securities

RM1 for every RM1,000 or any fraction thereof based on the transaction value, with maximum stamp duty payable of RM200 per contract note.

e) Service Agreements and Loan Agreements

Stamp duty of 0.5% on the value of the services / loans. However, stamp duty may be remitted in excess of 0.1% for the following instruments:

1. Service agreement

		Stamp duty
All service agreement (one tier)		*Ad valorem* rate of 0.1%
Multi-tier service agreement: a) Non-government contract (i.e. between private entity and service providers)	First level	*Ad valorem* rate of 0.1%
	Subsequent level(s)	Up to RM50
b) Government contract (i.e. between Federal / State Government or State / local authority and service providers)	First level	Exempted
	Second level	*Ad valorem* rate of 0.1%
	Subsequent level(s)	Up to RM50

2. Loan agreement / loan instrument

Malaysian Ringgit loan agreements generally attract stamp duty at 0.5% However, a reduced stamp duty liability of 0.1% is available for Malaysian Ringgit loan agreements or instruments without security and repayable on demand or in single bullet repayment.

Stamp duty on foreign currency loan agreements is generally capped at RM2,000. *W.e.f. 1 January 2024, this cap is removed.*

Stamping

Instruments executed in Malaysia which are chargeable with duty must be stamped within 30 days from the date of execution. When the instruments are executed outside Malaysia, they must be stamped within 30 days after they have first been received in Malaysia.

Penalty

The penalty imposed for late stamping varies based on the period of delay. The maximum penalty is RM100 or 20% of the deficient duty, whichever is higher.

Relief / Exemption / Remission from stamp duty

Examples of the exemptions, remissions or reliefs of stamp duty available are as follows:

1. Merger and acquisition

- Relief on the transfer of the undertakings or shares under a **scheme of reconstruction or amalgamation of companies** (conditions apply).
- Relief on the **transfer of property (excludes transfer of business) or shares between associated companies**, where either company owns 90% or more of the other company, or where a third company owns 90% or more of both associated companies (conditions apply).

2. Financing instrument

- Stamp duty exemption on loan / financing agreements executed from 1 January 2022 to 31 December 2026 between MSMEs and investors for funds raised on a peer-to-peer platform registered and recognised by the Securities Commission (SC).
- Stamp duty exemption on instrument of agreement for a loan or financing in relation to a **Micro Financing Scheme** (approved by the National Small and Medium Enterprise Development Council) between a borrower and a participating bank or financial institution.
- Stamp duty exemption on all loan or financing instruments in relation to the **Professional Service Fund** for an amount up to RM50,000 between a borrower and Bank Simpanan Nasional.
- Stamp duty exemption on all instruments of an Asset Sale Agreement & Asset Lease Agreement executed between a customer and a financier

made under Syariah law principles for **renewing any Islamic overdraft / revolving financing facility**, provided the instrument for existing facility is duly stamped.

- Stamp duty on any instruments of an Asset Lease Agreement executed between a customer and a financier made under the Syariah principles for **rescheduling or restructuring any existing Islamic financing facility** is remitted to the extent of the duty that would be payable on the balance of the principal amount of the existing Islamic financing facility, provided the instrument for existing Islamic financing facility has been duly stamped.
- Stamp duty exemption on all instruments relating to the **purchase of property by any financier for the purpose of leaseback** under the principles of Syariah or any instrument by which the financier shall assume the contractual obligations of a customer under a principal sale and purchase agreement.
- Stamp duty exemption on loan or financing agreements executed from 1 July 2021 to 31 December 2024 in relation to **restructuring or rescheduling of business loans** due to the inability of the borrower to comply with existing repayment schedule consequent to deteriorating financial conditions.

3. Instrument of transfer

- Remission of 50% of stamp duty chargeable on the instrument of **transfer of immovable property operating as voluntary disposition between parent(s) and child and vice versa,** executed before 1 April 2023 and provided that the recipient(s) is a Malaysian citizen.
- Stamp duty exemption on the instrument of transfer of property (executed from 1 April 2023) by way of love and affection between parents and children, grandparents and grandchildren, limited to the first RM1 million of the property's value, provided the recipients are Malaysian citizens. The balance of the property's value is given 50% remission on the *ad valorem* stamp duty imposed.
- Exemption for instruments of transfer of immovable property operating as voluntary disposition between husband and wife.
- Stamp duty exemption on all instruments of transfer of land, business, asset and share in relation to the **conversion of a conventional partnership or a private company to be a limited liability partnership**.

- *RM10 fixed duty for instrument of transfer of any property by way of release or renunciation by a beneficiary of a deceased estate to another beneficiary entitled under the same estate (w.e.f. 1 January 2024).*

4. Purchase of first residential property

- Stamp duty exemption on the instrument of transfer and loan agreement for purchase of first residential property through the Malaysian Home Ownership Initiative (i-Miliki) under the Home Ownership Programme 2022/2023.

Value of property (RM) (Note 1)	Exemption	Sale and purchase agreement executed during the period
Up to 500,000	100%	1.6.2022 to 31.12.2023
500,001 - 1,000,000	75%	

Note 1: Purchaser or co-purchasers are Malaysian citizens

5. Abandoned housing projects

- Stamp duty exemption on instruments executed by a **rescuing contractor or a developer** approved by the Minister of Housing and Local Government **to carry on rehabilitation works for an abandoned project**. The instruments are loan agreements approved by the approved financier and instruments of transfer for the purpose of transferring revived residential property in relation to the abandoned project which are executed by 31 December 2025.
- Stamp duty exemption on instruments executed by an **original purchaser**, whose name is stated in the Sale and Purchase Agreement **in relation to an abandoned project**, or his beneficiary. The instruments are loan agreements approved by the approved financier and instruments of transfer which are executed by 31 December 2025.

6. Capital market

- Stamp duty exemption on specified instruments for the purpose of a **securitisation transaction.**
- Stamp duty exemption on all instruments relating to the issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase **debentures or Islamic securities** approved by the SC and the transfer of such debentures or Islamic securities.

STAMP DUTY

- Stamp duty in excess of RM200 is remitted for instruments of **contract notes relating to the sale of shares, stocks or marketable securities** in companies incorporated in Malaysia or elsewhere between a local broker and an authorised nominee on behalf of a foreign broker.
- Stamp duty exemption on contract notes for sale and purchase transaction of **structured warrant or exchange-traded fund** approved by the SC, executed by 31 December 2025.

SALES TAX

Scope of taxation

Sales tax is a single-stage tax imposed on taxable goods manufactured locally by a registered manufacturer, and on taxable goods imported by any person.

"Manufacture" of goods, other than petroleum, is defined as the conversion by manual or mechanical means of organic or inorganic materials into a new product by changing the size, shape, composition, nature or quality of such materials and includes the assembly of parts into pieces of machinery or other products but does not include the installation of machinery or equipment for the purpose of construction. In relation to petroleum, the process of refining that includes the separation, conversion, purification and blending of refinery streams or petrochemical streams.

Special treatment is given to transactions involving Designated Areas (Labuan, Langkawi, Tioman and Pangkor) and Special Areas (free zones, licensed warehouses, licensed manufacturing warehouses and the Joint Development Area).

Taxable goods

All goods manufactured in Malaysia by registered manufacturers or imported by any person are taxable unless they are specifically exempted by order of the Minister of Finance.

Rates of tax

Sales tax is generally an *ad valorem* tax. Specific rates of sales tax are currently only imposed on certain classes of petroleum (generally, refined petroleum). The *ad valorem* rates are 5% and 10%, determined based on the HS Tariff Classification of the goods.

Sales tax on imported low value goods

Effective 1 April 2023, low value goods (LVG), i.e. goods which have a sale value of not more than a certain value (i.e. RM500), sold on an online platform and imported into Malaysia using any mode of transport will be subject to sales tax at the point of sale.

The details on the imposition of sales tax on LVG that have been communicated are as follows:

- <u>Tax rate</u>: A flat rate of 10%

- Registration: Both local and foreign sellers of LVG on any online platform as well as operators of online marketplace are required to register for sales tax and charge sales tax on LVG if their total sales value for a 12-month period exceeds the registration threshold of RM500,000. Registration can start from 1 January 2023.
- Calculation of sales tax: The sale value used in the calculation of sales tax shall exclude any tax, fee or other charges imposed on the imported LVG.
- Sales tax due: Sales tax on LVG is due when the LVG are sold by the seller.
- Taxable period and furnishing of return: The taxable period for a registered LVG seller is 3 months and the returns must be furnished to Customs by the last day of the month following the end of the taxable period.
- Customs control: Customs can withhold the LVG if it appears that sales tax has not been charged, insufficiently charged or paid. The LVG can only be released after the correct amount of sales tax on the LVG has been paid.
- Transitional: LVG which are purchased before the effective date of imposition of sales tax on LVG are not subject to sales tax even if the LVG are delivered to Malaysia after the effective date.

The imposition of sales tax on LVG, which was supposed to be effective on 1 April 2023, has been postponed to 1 January 2024.

Goods exempted

All goods manufactured for export are exempted from sales tax. Taxable goods exported are exempted from sales tax. Other goods which are specifically exempted include:

- Live animals, fish, seafood and certain essential food items including meat, milk, eggs, vegetables, fruits, bread.
- Books, magazines, newspapers, journals and periodicals.
- Bicycles including certain parts and accessories.
- Naturally occurring mineral substances, chemicals, etc.
- Pharmaceutical products such as medicine, medical cream, cough syrup, bandage, medicaments containing multivitamin & minerals, etc
- Fertilisers (animal origin or chemical) and insecticides.

- Articles of goldsmith such as gold or platinum jewellery, silver tableware, etc.

A complete list of goods exempted from sales tax can be found in the Sales Tax (Goods Exempted from Tax) Order 2018.

Tax-free raw materials

In order to maintain the single-stage concept, there are facilities available to allow for inputs (raw materials and components) to be imported or acquired free of sales tax by a registered manufacturer for use in the manufacturing process of taxable goods.

Registration

A taxable person is a manufacturer who is registered or liable to be registered for sales tax. A manufacturer is liable to be registered if the total sales value of his taxable goods for a 12-month period exceeds or is expected to exceed RM500,000. Any manufacturer who is not liable to be registered for sales tax or exempted from registration may apply to the Director General (DG) of Customs for registration as a registered manufacturer.

Exemption from registration

Certain manufacturing activities are exempted from the registration requirement. They include the manufacturing of finished goods of the Royal Pahang Weave, developing and printing of photographs and production of film slides, manufacture of ready mixed concrete, preparation of meals, repair of second hand or used goods and the installation of air conditioners in motor vehicles.

Payment of sales tax and taxable period

Sales tax is due at the time the taxable goods are sold, disposed of otherwise than by sale, or first used otherwise than as materials in the manufacture of taxable goods, by the taxable person. However, in relation to the classes of petroleum that are subject to sales tax, special provisions apply regarding the time when sales tax is due.

Any sales tax that falls due during a taxable period is payable to the Royal Malaysian Customs Department (RMCD) latest by the last day of the month following the end of the taxable period. A taxable period is a period of 2 calendar months. However, a taxable person can apply to the DG of Customs to vary the taxable period. If the application to vary the taxable period is approved, the sales tax due is payable to RMCD latest by 30 days from the end of the varied taxable period.

Refund of sales tax on bad debts

A registered manufacturer or a person who has ceased to be a registered manufacturer can apply for a refund of sales tax in relation to bad debts. The conditions for the refund application are that:

- the whole or part of the sales tax paid has been written off as a bad debt; and
- all reasonable efforts have been made by the applicant to recover the sales tax.

Drawback

A person may apply to the DG of Customs to claim drawback on the sales tax paid in respect of imported or locally acquired goods which are subsequently exported. Drawback does not apply to petroleum.

Sales tax deduction

Registered manufacturers are able to apply to the DG of Customs for the following amount of sales tax deduction on the taxable raw materials, components or packaging materials acquired from local traders and used solely in the manufacturing of their taxable goods.

- 2% of the total value of taxable goods purchased if the taxable goods were charged and levied with sales tax of 5%
- 4% of the total value of taxable goods purchased if the taxable goods were charged and levied with sales tax of 10%

Exemptions

1. Approved Major Exporter Scheme

The Approved Major Exporter Scheme was introduced for traders and manufacturers whose annual sales exceed RM10 million and who export at least 80% of their annual sales. Such approved traders and manufacturers are granted full sales tax exemption on their importation or purchase of goods. Traders and manufacturers who fulfill all the prescribed conditions can apply to the DG of Customs for approval under this scheme.

2. Schedule A Exemption

These are exemptions for specific persons or industries. Examples include goods imported temporarily, ships spares, small value relief for personal items and duty free items. It can also include goods imported or locally manufactured for use in the petroleum upstream industry and trade facilitation measures, such as the purchase of goods for export. Some industries specifically approved by the Malaysian Investment Development Authority (MIDA) may also obtain exemption on fixed assets for use in approved activities.

3. Schedule B Exemption

These exemptions are given to manufacturers of specific goods such as price controlled goods, pharmaceutical products, milk products and exempt goods for export. Manufacturers of such goods would not need to be registered for sales tax to avail of the exemption.

4. Schedule C Exemption

Schedule C exemptions are generally for registered manufacturers or their agents to acquire goods free from sales tax on the basis that such goods will be used as inputs for the manufacture of taxable goods.

5. Carbon Capture and Storage

Refer to “Tax Incentives” chapter.

Refer to “Other duties” chapter for the following:

a) Nicotine Replacement Therapy (NRT)
b) Individually owned taxis and hired cars
c) Studio and filming production equipment
d) Electric vehicles
e) Manufacturing Aids

SERVICE TAX

Scope of taxation

Service tax is a consumption tax levied and charged on:

a) any taxable service (including digital services) provided in Malaysia by a registered person in carrying on his business;

b) any imported taxable services acquired by any person who carries on business in Malaysia; and

c) any digital services provided by a foreign registered person to a Malaysian consumer.

Special concessionary treatment is given to transactions involving Designated Areas (Labuan, Langkawi, Tioman and Pangkor) and Special Areas (free zones, licensed warehouses, licensed manufacturing warehouses and Joint Development Area.

Taxable persons and taxable services

Examples of taxable services include but are not limited to the provision of accommodation premises, sale or provision of food, cigarettes, electronic cigarettes, tobacco products, drinks and alcoholic beverages, certain professional services, information technology services, digital services (including electronic platform services), certain telecommunication services, betting and gaming services, management services, consultancy services, training services, security services, provision of parking space, provision of golf course, golf driving range or services related to golf or golf driving range, courier and certain delivery services (other than to destinations outside Malaysia), domestic flight services, provision and issuance of charge card or credit card whether or not annual subscription or fee is imposed, and provision of electricity to domestic consumer. A complete list of taxable persons and taxable services can be found in the First Schedule to the Service Tax Regulations 2018.

It is proposed that the scope of prescribed taxable services will be expanded to include logistic services, karaoke services, brokerage and underwriting services.*

** Currently, brokerage and underwriting services in relation to financial services are prescribed taxable services. It is unclear what the proposed expansion will be at this time.*

SERVICE TAX

Rate of tax

The rate of service tax is 6% *ad valorem* for all taxable services and digital services except for the provision of charge or credit card services. Service tax for the provision of charge or credit card services is RM25 per year on each principal card or supplementary card.

It is proposed that the service tax rate will be increased from 6% to 8% for all prescribed taxable services except for food and beverages services and telecommunication services which remains at 6%.

Registration

A taxable person is a person who is registered or liable to be registered for service tax. A person is liable to be registered if the total value of his taxable services for a 12-month period exceeds or is expected to exceed the prescribed registration threshold.

The following is a summary of taxable persons and their respective prescribed registration thresholds:

Group	Taxable person	Registration threshold (RM)
A	Operators of hotels, inns, lodging house, service apartment, homestay*	500,000
B	Operators of restaurants, bars, snack-bars, canteen, coffee house or any place providing food and drinks whether eat-in or take-away*	1,500,000
C	Operators of night-clubs, dance halls, cabarets	500,000
	Operators of 1st, 2nd or 3rd Class Public House and 1st or 2nd Class Beer House	
	Operators of approved health and wellness centres and massage parlours*	
D	Operators of private clubs	500,000
E	Operators of golf course or golf driving range	500,000
F	Licensed operators of bettings, sweepstakes, lotteries, gaming machines or games of chance	500,000
G	Registered advocates, solicitors and syarie lawyers	500,000
	Registered public accountants	
	Licensed or registered surveyors / registered valuers, appraisers and estate agents	

SERVICE TAX

Group	Taxable person	Registration threshold (RM)
	Registered professional engineers	
	Registered architects	
	Consultancy, training or coaching services provider*	
	Information technology services providers*	
	Management services providers*	
	Employment services providers*	
	Licensed private agencies	
	Operators of online platform or marketplace	
H	Persons who are regulated by Bank Negara Malaysia and provide credit card or charge card services through the issuance of a credit card or a charge card	Nil
I	Licensed insurers or takaful operators	500,000
	Licensed / registered persons providing telecommunication services and contents applications services	500,000
	Approved customs agents	Nil
	Operators of parking space for motor vehicles	500,000
	Operators of motor vehicles service or repair centres	500,000
	Licensed courier service providers	500,000
	Hire-and-drive car and hire-car service companies	500,000
	Advertising service providers	500,000
	Providers of electricity transmission and distribution services	500,000
	Licensed airlines providing domestic flights*	500,000
	Brokerage and underwriting financial services providers	500,000
	Cleaning services providers*	500,000

* These are subject to some exclusions

Any person who is not liable to be registered for service tax may apply to the Director General (DG) of Customs for registration as a registered person.

Foreign digital service providers are liable to be registered if the total value of digital services provided to Malaysian consumers for a 12-month period exceeds or is expected to exceed the prescribed registration threshold of RM500,000.

Invoice

A registered person is required to issue an invoice with the prescribed particulars for the taxable services rendered. A foreign registered person is also required to do the same. However, the requirements are much more simplified. The prescribed particulars include description of the taxable or digital services provided, total amount payable excluding tax and amount of service tax. The invoice may be issued and sent electronically.

Payment of service tax by a registered person (bi-monthly)

Service tax is due when:

- payment is received for the taxable services rendered, or
- immediately after the 12th month from the date of provision.

Taxpayers may request to account for service tax based on the date of invoice via an application to the DG of Customs.

Service tax due is accounted for and payable to the Royal Malaysian Customs Department (RMCD) every 2 months (i.e. taxable period). The service tax return (SST-02) and payment is due by the last day of the month following the end of the taxable period. A taxable person can apply to the DG of Customs to vary the taxable period.

Late submission of returns or late payments of taxes will be subject to the following penalty rates:

- 10% penalty on the unpaid service tax amount for the first thirty (30) day period past when service tax is due;
- an additional 15% penalty on the unpaid service tax amount for the second thirty (30) day period past when service tax is due; and
- an additional 15% penalty on the unpaid service tax amount for the third thirty (30) day period past when service tax is due.

Payment of service tax on imported taxable service by a non-taxable person (monthly)

A non-taxable person is required to account for service tax on imported taxable services acquired in the course of business via an SST-02A form. The service tax is due at the earlier of the payment date or the date the invoice for the services is received. The SST-02A form and the payment of service tax must be made by the last day of the month following the month in which the service tax is due.

Payment of service tax by a foreign registered person (quarterly)

Service tax is due when payment is received for the digital services provided. The foreign registered person can apply to account for service tax based on invoice date.

The service tax that falls due during a taxable period (3 months) is payable to the RMCD by the last day of the month following the end of that taxable period. A foreign registered person can apply to the DG of Customs to vary the taxable period.

Refund of service tax on bad debts

A registered person or a person who has ceased to be a registered person can apply for a refund of service tax in relation to bad debts. The conditions for the refund application are that:

- the whole or part of the service tax paid has been written off as a bad debt; and
- all reasonable efforts have been made by the applicant to recover the service tax.

Group relief

Service tax is not applicable to the following transactions performed among companies within a qualifying group of companies, (i.e. subject to certain qualifying criteria):

a) Provision of certain qualifying professional services in Malaysia by a registered person;

b) Acquisition of certain qualifying professional services from overseas by a Malaysian business; and

c) Provision of digital services by foreign service providers.

Exemption

1. Exemption for specific business-to-business (B2B) services

To minimise the tax pyramiding effect on businesses, certain taxable professional services or advertising services provided by a registered person to another registered person who is registered for the same service are exempted from service tax, subject to certain qualifying criteria.

Local service tax registered businesses which provide certain taxable professional services or advertising services are exempted from having to account for and pay service tax through the imported taxable service mechanism on the same professional services or advertising services acquired from foreign service providers, subject to certain qualifying criteria. In addition, local service tax registered businesses which provide digital services can claim refund of service tax paid on digital services acquired from foreign registered persons if the digital service acquired is the same as the digital service they provide.

OTHER DUTIES

Import duties

1. Scope and rates

Import duties are levied on dutiable goods imported into the country, generally on an *ad valorem* basis but may also be imposed on a specific basis. The *ad valorem* rates ranges from 0% to 60%. Raw materials, machinery, essential foodstuffs and pharmaceutical products are generally non-dutiable or subject to duties at lower rates.

2. Tariff rate quota (TRQ)

Malaysia applies TRQ on selected agricultural products, such as chicken, milk and cream, hen eggs, cabbages. Under TRQ, the tariff charged depends on the volume of imports ("the quota") which is determined by the relevant government agencies. Lower tariff applies to within quota imports and higher tariff for imports exceeding the quota.

3. Value of goods

The value of goods for the purpose of computing import duties is determined largely in accordance with the World Trade Organisation principles of customs valuation.

4. Exemptions

There is a range of duty exemptions on specific goods that prescribed persons are eligible to claim, subject to prescribed conditions under an Order made by the Minister. In addition, manufacturers are eligible to apply for merit-based duty exemptions on:

- raw materials and components used directly for the manufacture of goods for export and domestic markets.
- dutiable machinery and equipment which are used directly in the manufacturing process.

Manufacturers are required to apply to the relevant authorities for exemption. For example, Malaysian Investment Development Authority and Royal Malaysian Customs Department.

Import duty exemption is to be granted for nicotine gum and nicotine patches used in Nicotine Replacement Therapy for a period of 3 years for applications from 1 April 2023 to 31 March 2026.

W.e.f. 1 January 2024, it is proposed that exemptions from import duty and sales tax be given to qualified manufacturers on the importation and local purchase of manufacturing aids subject to the type of industry and the specified category of goods.

Exemptions for carbon capture and storage - refer to “Tax Incentives” chapter.

5. Prohibition of imports

Import restrictions are imposed on a range of products for protection of local industries or for reasons of security and public safety. An import licence has to be obtained for the importation of prohibited goods, unless otherwise exempted. Examples of goods requiring an import licence / permit from relevant authorities into Malaysia include:

- Certain food products (such as rice), medical devices, cooking appliances, pharmaceuticals and cosmetics
- Certain electrical operated machinery
- Motor vehicles for the transport of persons, goods or materials
- Used televisions including video or visual display with TV tuner, used air conditioners, used personal computers and used mobile phones
- Billets of iron or steel
- Alloy steel and high carbon steel
- Stranded wire, cables, cordage, ropes, plaited bands and the like of aluminium wire
- Natural or synthetic rubber insulated or plastics insulated electric wire, cable, bars and strip and the like, whether or not fitted with connectors
- Heavy machineries
- Petroleum
- Rags, plastics, papers or filters contaminated with scheduled wastes
- Chlorofluorocarbons (CFCs) and Hydrofluorocarbons (HFCs)
- Telecommunications equipment
- Tobacco products, alcoholic beverages
- Radioactive / nuclear materials / prescribed substances
- Arms and ammunition

- Motor vehicles parts
- Waste and scrap of paper, paperboard and metal

6. Prohibition of exports

Export restrictions are seldom imposed except on a limited range of products for reasons of security and public safety. An export licence has to be obtained for the exportation of prohibited goods.

Categories of goods requiring an export licence include, but are not limited to:

- Cement clinker
- Portland cement
- Slags, dross, scaling and similar waste of iron and steel, zinc, nickel, copper, lead, aluminium
- Tin slag and hardhead of tin
- Zinc dust and sludge form
- Used televisions including video or visual display with TV tuner, used air conditioners, used personal computers and used mobile phones
- Hydrofluorocarbons (HFCs)
- Face masks
- Rice

Import and export licence applications may be submitted electronically via DagangNet (e-Permit) or manually to the relevant licence / permit processing authority.

Export duties

Export duties are generally imposed on the country's main commodities such as crude petroleum and palm oil for revenue purposes.

In addition, goods and technology that are controlled under the Strategic Trade Act 2010 is subject to additional export restrictions and an export permit will be required. The controlled items are categorised as military items and dual-use items such as electronics and computers.

OTHER DUTIES

Excise duties

1. Scope and rate

Excise duties are imposed on a selected range of goods manufactured in Malaysia or imported into Malaysia. These include beer / stout, cider and perry, rice wine, mead, indentured ethyl alcohol, brandy, whisky, rum and tafia, gin, cigarettes containing tobacco, electronic cigarette and electronic vaporising device, motor vehicles, motorcycles, playing cards and mah-jong tiles.

The rates of excise duties vary from a composite rate ranging from RM1.10 per litre and 15% for certain types of spirituous beverages, RM0.40 per stick for cigarettes, to as much as 105% for motorcars (depending on engine capacity).

Currently, specified sugar-sweetened beverages under HS heading 20.09 and 22.02 are subject to an excise duty rate of RM0.40 per litre. *W.e.f. 1 January 2024, it is proposed that the excise duty will increase to RM0.50 per litre.*

Pre-mixed preparations of chocolate or cocoa-based, malt, coffee and tea such as 2-in-1 or 3-in-1 pre-mixed beverages are subject to an excise duty of RM0.47 per 100 grams. The effective date is yet to be determined.

Liquid or gel containing nicotine used in electronic cigarettes and vape are subject to an excise duty of RM0.40 per litre. The implementation date to increase the excise duty for nicotine-free liquids or gels used in electronic cigarettes and vape from RM0.40 per millilitre to RM1.20 per millilitre is yet to be announced.

W.e.f. 1 January 2024, it is proposed that chewing tobacco under HS 2403.99.50 00 will be subject to excise duty rate of 5% and RM27 per kilogram.

2. Specific exemptions for electric vehicles (EV)

- From 1 January 2022 to 31 December 2027, full import duty exemption on components are granted for Completely Knocked Down (CKD) EVs and full excise duty and sales tax exemption are granted for CKD EVs.
- W.e.f. 1 January 2022 to 31 December 2025, full import duty and excise duty exemption will also be given to Completely Built Up (CBU) EVs.

3. Specific exemption for individually owned taxis and hired cars

Full sales tax and excise duty exemption is to be granted on the sale / transfer / private use / disposal of budget taxis, executive taxis, Teksi 1 Malaysia, airport taxis (budget and family), and hired cars, which have been held for at least 5 years from the registration date.

4. Studio and filming production equipment

Sales tax and import duty exemptions on studio and filming production equipment will be given to providers of equipment and production services including post-production, studio and cinema for a period of 3 years. Applications to be received by the Ministry of Finance from 1 April 2023 until 31 March 2026.

5. Excise licensing

- Unless exempted from licensing, a manufacturer of tobacco, intoxicating liquor, sweetened beverages or goods subject to excise duties must have a licence to manufacture such goods.
- The licence to manufacture also permits the holder to store such goods, otherwise a warehouse licence is required for storage of goods subject to excise duty.

6. Payment of duty

As a general rule, duty is payable at the time the goods leave the place of manufacture. However, excise duty on a predefined list of motor vehicles for the transport of persons is not payable until the vehicles are removed from the place of manufacture for registration with the Road Transport Department, provided that a security is given (up to a maximum of 4 years from the date of removal from the place of manufacture).

7. Exports

No excise duty is payable on dutiable goods that are exported.

High Value Goods Tax

It is proposed that High Value Goods Tax will be introduced at the rate of 5% to 10% on certain high value goods such as jewellery and watches based on the threshold value.

OTHER DUTIES

Licensed Manufacturing Warehouse (LMW)

Manufacturers who export 80% or more of their finished products can apply for LMW status. Raw materials, components and machinery used in the manufacturing process are generally exempted from import duties and sales tax.

Free Zone

A free zone is deemed to be a place outside a principal customs area. Subject to certain exclusions, goods can be brought into, produced or provided in a free zone without payment of customs duty or excise duty. A free zone is any area in Malaysia which has been declared by the Minister to be a Free Zone. There are two types of Free Zones in Malaysia: (a) Free Industrial Zone (FIZ) and (b) Free Commercial Zone (FCZ). Manufacturing activities are allowed to be conducted in FIZ while trading activities are allowed to be conducted in FCZ.

At present, approval for the value-added activities and additional activities to be carried out at the FIZ and LMW is subject to the condition that the sales value of the value-added and additional activities shall not exceed 40% of the company's annual sales value (Note that the increased in annual sales value threshold may be subject to further amendment by the Government. It was granted to FIZ and LMW companies during the COVID-19 pandemic with an aim to increase the competitiveness of the company as well as to fulfil the dynamics of global trade).

Authorised Economic Operator (AEO)

Currently, the AEO status is given to eligible manufacturers, operators (including warehouse operators), traders and logistics service providers. An AEO is a person who is involved in import and export activities and, having been “certified” to be compliant in its customs related operations, is entitled to enjoy benefits provided in the AEO program.

Free Trade Agreements

Malaysia has concluded several regional and bilateral free trade agreements and several more are still under negotiation. One of the key features of free trade agreements is the preferential tariff treatment accorded to member countries. Currently, the following free trade agreements are in force:

- ASEAN Trade in Goods Agreement

- ASEAN-China Free Trade Agreement
- ASEAN-Hong Kong, China Free Trade Agreement
- ASEAN-Korea Free Trade Agreement
- ASEAN-Australia-New Zealand Free Trade Agreement
- ASEAN-Japan Comprehensive Economic Partnership Agreement
- ASEAN-India Trade in Goods Agreement
- Preferential Trade Agreement Amongst D-8 Member States
- Malaysia-Pakistan Closer Economic Partnership Agreement
- Malaysia-Japan Economic Partnership Agreement
- Malaysia-Chile Free Trade Agreement
- Malaysia-India Comprehensive Economic Cooperation Agreement
- Malaysia-New Zealand Free Trade Agreement
- Malaysia-Australia Free Trade Agreement
- Malaysia-Turkey Free Trade Agreement
- Regional Comprehensive Economic Partnership
- Comprehensive and Progressive Agreement for Trans-Pacific Partnership

The preferential tariff treatment and the rules of origin may vary from one free trade agreement to another.

Windfall Profit Levy

Windfall Profit Levy is levied on Crude Palm Oil (CPO) producers. A 3% levy rate is imposed on the CPO threshold value of RM3,000 per metric ton for Peninsular Malaysia and RM3,500 per metric ton for Sabah and Sarawak.

IMPORTANT FILING DATES

Type of return	Form	Due date
Income tax		
All taxpayers		
Notification of change of address	CP 600B	Within 3 months of change
Individuals without business income		
Notification of chargeability of an individual who first arrives in Malaysia	No prescribed form	Within 2 months of date of arrival
Submission of income tax return* – Resident / Resident (Knowledge Workers / Expert Workers) – Non-resident	BE/BT M/MT	By 30 April in the year following that YA
* Tax returns are not required to be filed for specific groups of employees where requirements are met. Monthly Tax Deduction will be final tax.		
Individuals with business income		
Submission of income tax return – Resident / Resident (Knowledge Workers / Expert Workers) – Non-resident	B/BT M/MT	By 30 June in the year following that YA
Companies		
Submission of estimate of tax payable	CP 204	30 days before the beginning of the basis period
Submission of revised estimate of tax payable	CP 204A	In the 6th or / and 9th month*, and / or 11th month** of the basis period *(*w.e.f. YA 2024)*
Submission of income tax return	e-C	Within 7 months from the date following the close of its accounting period
Furnishing of particulars of payment made to agent, dealer or distributor (ADD)	CP 58	By 31 March of the following year
Other entities – Submission of income tax return		
Deceased person's estate / Association	TP/TF	By 30 April (without business income) or 30 June (with business

IMPORTANT FILING DATES

Type of return	Form	Due date
		income) in the year following that YA
Partnership	P	By 30 June in the year following that YA
Limited Liability Partnership	PT	Within 7 months from the date following the close of its accounting period
Co-operative society	C1	
Trust body	TA	
Unit trust / Property trust	TC	
Business trust	TN	
Real estate investment trust (REIT) / property trust fund	TR	
Employers		
Return of remuneration by an employer *(mandatory electronic submission effective from year ending 31 December 2023)*	E	By 31 March of the following year
Statement of remuneration of employee	EA	By the last day of February of the following year
Notification of employee's commencement of employment	CP 22*	Within 30 days of commencement of employment
Notification of employee's cessation of employment (in certain prescribed cases, including cessation resulting from death of the employee)	CP 22A*	Not less than 30 days before cessation. In cases of death, not less than 30 days after being informed of death
Notification of employee leaving Malaysia for more than 3 months	CP 21*	Not less than 30 days before expected date of departure

** mandatory electronic submission effective from 1 January 2024*

Type of return	Form	Due date
Statement of tax deduction by employer under the Monthly Tax Deduction scheme	CP 39	Within 15 days after month end
Withholding tax (WHT)		
Interest or royalty to non-residents	CP 37	Within 1 month of paying or crediting the non-resident, whichever is earlier
Contract payments to non-resident contractors	CP 37A	

IMPORTANT FILING DATES

Type of return	Form	Due date
Technical and management service fees, rental of moveable properties, etc. to non-residents	CP 37D	
Technical and management service fees, rental of moveable properties, etc. to non-residents carrying out activities in the Joint Development Area	CP 37D(1)	
Interest or royalty to non-residents (WHT amount ≤RM500 per transaction)	CP 37S	Once in every 6-month period as follows – On or before 31 December of the year: For payments made to non-residents from 1 June to 30 November of the year On or before 30 June of the year: For payments made to non-residents from 1 December of the previous year to 31 May of that year
Technical and management service fees, rental of moveable properties, etc. to non-residents (WHT amount ≤RM500 per transaction)	CP 37DS	
REIT income exempted at the trust level distributed to unit holders (other than resident companies)	CP 37E	Within 1 month of distributing the income to the unit holders
Family fund, family re-Takaful fund or general fund income distributed to participants	CP 37E(T)	Within 1 month of distributing or crediting the income, whichever is earlier
Payments to a non-resident person in relation to any gains or profits falling under Section 4(f)	CP 37F	Within 1 month of paying or crediting the non-resident, whichever is earlier
Withdrawal of contribution from a private retirement scheme fund	CP 37G	Within 1 month of paying the amount
Payments to a resident ADD who has received more than RM100,000 from the company in the previous YA	CP 107D	Last day of the month following the month of paying or crediting the ADD

IMPORTANT FILING DATES

Type of return	Form	Due date
Real property gains tax		
Return of disposal of real property / shares in real property company	CKHT 1A/1B & CKHT 3*	Within 60 days after disposal of real property / shares in real property company ** If applicable*
Return of acquisition of real property / shares in real property company	CKHT 2A & CKHT 502*	
Sales Tax and Services Tax		
Taxable persons Registration	SST-01	Last day of the month following the month in which the annual turnover exceeds or is expected to exceed the relevant registration threshold
Submission of tax return and payment of tax due	SST-02	Last day of the month following the end of the taxable period OR 30 days from the end of the taxable period (where taxable period is varied)
Non-taxable persons Submission of Declaration and payment of service tax due [Note: Currently only applicable for declaration of imported taxable services acquired in the course of carrying on a business]	SST-02A	Last day of the month following the end of the month in which payment is made or invoice is received, whichever is the earlier
Foreign digital service providers Registration	DST-01	Last day of the month following the month in which the annual turnover exceeds or is expected to exceed the registration threshold
Submission of return and payment of tax due	DST-02	Last day of the month following the end of the taxable period

PwC in Malaysia

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