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Global Mobility Services

Taxation of International Assignees – Malaysia

People and Organisation

Global Mobility Country Guide (Folio)

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Country: Malaysia

Additional Country Folios can be located at the following website:
Global Mobility Country Guides

Introduction: International assignees working in Malaysia

Many expatriates working in Malaysia come to us for advice on immigration assistance, tax planning and for assistance with local tax assessments. This folio has been prepared for the benefit of expatriates working in Malaysia. It is intended to give only a basic understanding of the taxation laws and is not intended to be comprehensive. Accordingly, it should not be used as the basis for specific action. We recommend that readers seek professional advice before acting on any of the matters discussed in this folio.

Specific details of tax rates and allowances have been included in this folio as Appendices A and B, respectively. However, as they may vary from year to year, you may wish to refer to our annual publication, **"Malaysian Tax and Business Booklet"**, which is revised each year, to confirm the rates in effect at the time of reading this publication.

If you have any enquiries relating to the taxation of foreign nationals working in Malaysia, please consult one of the individuals listed in Appendix F.

Step 1:
Understanding basic principles

The scope of Malaysian tax

1. Income tax is charged in Malaysia on a territorial basis, i.e., on income accruing in or derived from Malaysia by a chargeable person. Remittance of foreign income by a person other than a resident company carrying on a business of banking, insurance, sea or air transport is tax exempt.

The tax year

2. The Malaysian tax year is the calendar year, i.e., 1 January to 31 December. Commencing from the year 2000, income is assessed on a current year basis.

Methods of calculating tax

3. Chargeable income of residents is taxed at graduated rates. Chargeable income is the balance of assessable income after allowing for personal reliefs and deductions. Non-residents are taxed at a flat rate on their gross income, with no allowance for personal reliefs. Regardless of the individual's nationality, tax residence status is determined based on the four physical presence tests prescribed in the Malaysian Income Tax Act (see paragraph 7 below).

Husband and wife

4. Income of a husband and wife is reported in separate tax returns and assessed separately. The wife may elect in her return form for her total income to be aggregated with the total income of her husband and assessed in his name for that year of assessment (Y/A) and vice versa.

5. In general, it may be beneficial for the wife to be separately assessed on all her income as it would result in those earnings being charged to tax separately, which has the effect of lowering the overall tax liability.

Residence status

6. Whether you are resident in Malaysia for taxation purposes is determined by reference to your length of stay and the tax resident status is determined on year to year basis.

7. You will qualify as a tax resident in a particular calendar year if you satisfy any of the following tests:

   a. You are in Malaysia for at least 182 days in the calendar year;

   b. You are in Malaysia for a period of less than 182 days during the year ("shorter period"), but that period is linked to a period of 182 or more "consecutive" days ("longer period") immediately preceding or immediately following the calendar year, throughout which you were in Malaysia. Any temporary absences from Malaysia of the following nature are regarded as forming part of the longer period:

      i. Absences connected with your service in Malaysia and owing to service matters or attending

conferences or seminars or study abroad;

ii. Absences owing to ill health involving yourself or a member of your immediate family; or

iii. Absences in respect of social visits not exceeding 14 days in aggregate and you are required to be in Malaysia before and after the temporary absences;

c. You are in Malaysia for 90 days or more during the year and were either in Malaysia for at least 90 days or a resident in any three of the four immediately preceding calendar years; and

d. You are a resident for the calendar year following the year in question and were a resident for each of the three immediately preceding years.

Note:

Difference between tax resident and non-tax resident:

	Tax Resident	Non-tax resident
Applicable tax rate	Scaled rates ranging from 0% to 28%	Flat rate at 28%
Claim for personal reliefs	Eligible	Not eligible

Step 2:
Understanding the Malaysian tax system

Taxation of employment income

8. Income from an employment exercised in Malaysia would be fully subject to tax, irrespective of where your income is paid and the location of your employer. An employee who is not resident in Malaysia for tax purposes and who exercises an employment in Malaysia in a calendar year for not more than 60 days will be exempt from tax. If his stay in Malaysia overlaps two calendar years, exemption from income tax will still be available, provided the employment is not exercised for more than 60 days. Where an employment in Malaysia is exercised for more than 60 days but the employee stays in Malaysia for less than 182 days in a calendar year, he/she will be taxed as a non-resident unless they are able to qualify for relief or exemption from double taxation. Refer to “Double taxation reliefs” section for more information.

9. If you are a non-citizen individual working as an area representative in an operational headquarters (OHQ) company, regional office (RO), with effect from Y/A 2003, exemption from the payment of income tax in respect of income derived from an employment with an OHQ or an RO is given based on the number of days in the Y/A, he is in employment with the OHQ or RO exercised outside Malaysia. Please note that this incentive is also extended to non-citizen individuals working in approved International Procurement Centres (IPC), Regional Distribution Centres (RDC) and Treasury Management Centre (TMC).

10. Your remittances of income from foreign sources into Malaysia will be tax exempt notwithstanding your tax resident status.

11. Employment income includes all amounts, whether in cash or in kind, arising from an employment. Examples are salary, bonus, commission, overseas allowance, education payment, housing allowance, utility bills and income tax reimbursement. All these payments are taxable whether paid directly to the employee or on his behalf (e.g. utility bill payments). The entire employment income (including offshore portion) received from the exercise of Malaysian employment is reportable and taxable in Malaysia regardless of whom the employer is, where it is paid, and whether it has been remitted into Malaysia or not. Employers are required to prepare a return of remuneration (Form CP 8A) to the Malaysian Inland Revenue Board (IRB) and include in it benefits provided to their employees.

12. Non-cash benefits that are taxable include the use of a car, accommodation provided by employer, stock purchases or savings plans and share options. However, favorable tax treatment is given for some benefits provided to employees, such as housing.

13. Following the implementation of Goods and Services Tax (GST) in April 2015, any output tax paid by the employer under the GST Act 2014 will form part of the taxable value of employment

income, unless the employer is eligible to recover input tax for GST paid on such remuneration items. This position applies retrospectively from year of assessment 2015. Examples of typical benefits or perquisites which are subject to GST include utilities, club membership and so on. The concept is consistent with the current approach where any amount incurred by the employer or the amount equal to the value of use or enjoyment by the employee would be deemed the value of income/benefit that is assessable to tax.

14. Reimbursements of relocation expenses (including travel and moving personal and household effects) are generally not taxable. However, a taxable benefit is imputed for expenses incurred in respect of hotel accommodation given to you and your family on initial arrival. Relocation allowances are taxable.

15. Effective Y/A 2016, all remuneration is taxable in the year it is received. However, if the employee is no longer working in Malaysia or has left the country, any subsequent remuneration paid in respect of the Malaysian employment would still trail back to the final year of employment (i.e., departure year).

16. Employment income is taken as income of the year in which it is received. All employees are subject to a scheme of monthly tax deduction from their employment incomewhich includes taxable benefits in kind enjoyed by the employees.

17. Self-assessment for individuals was implemented from Y/A 2004. Under the Self Assessment System (SAS), the responsibility for correctly assessing a person's tax liability is transferred from the IRB to the taxpayer.

18. The prescribed tax return form for each Y/A will be issued to individual taxpayers and will be due for submission not later than 30 April of the following year except for those who derive business income such as sole proprietors and partnerships where the deadline for tax filing is 30 June. The submission of the tax return form is deemed to be a notice of assessment for which tax is due and payable on the same date as the filing deadline.

19. Under the SAS, the IRB monitors taxpayers' compliance with the law through field audits.

Sole proprietorship and partnership income

20. Profits or gains from trades, businesses, professions or vocations that are exercised in Malaysia are subject to tax whether or not the individual is resident there. If the individual is resident in Malaysia, a tax liability may arise on such profits or gains if the trade, etc., is carried on both abroad and in Malaysia. Professional advice should be sought at the earliest possible stage to ensure proper planning.

Investment income

21. In general, only investment income arising from sources in Malaysia is taxable (except for certain exempt income, e.g., interest accruing from a bank or a financial institution operating under a Banking and Financial Act).

22. For individuals who are resident or non-resident in Malaysia, investment income which arises from sources outside Malaysia is tax exempt.

Capital gains

23. Capital gains are not taxable in Malaysia. No deduction is allowed for losses of a capital nature.

Remittances

24. It is worth noting that remittances of income into Malaysia may include "constructive remittance", such as the settlement abroad of liabilities incurred in Malaysia and the transfer into Malaysia of property acquired from overseas income. With effect from Y/A 2004 however, foreign income remitted into Malaysia is exempted from tax under Paragraph 28(1) Schedule 6 of the Income Tax Act, 1967.

Double taxation reliefs

25. An individual who is a resident of another country may qualify for some measure of relief or exemption from Malaysian income tax under the double taxation agreement concluded between that country and Malaysia. Most of the existing agreements lay down various tests to determine in which of the two countries an individual is resident for treaty purposes is regarded as resident by the authorities of both countries under the respective local law. The majority of agreements contain clauses which exempt a resident of one country from tax on employment income in the other if he/she is present in the latter for fewer than 183 days in the tax year, provided certain other conditions are met regarding the terms of employment. Refer to Appendix E for a list of countries which have entered into double taxation agreements with Malaysia. Resident individuals taxed in a country with which Malaysia has no agreement may claim unilateral credit for the foreign tax suffered.

Employees provident fund

26. The Malaysian Employees Provident Fund (EPF) is essentially a savings scheme to provide for employees in their old age. All employers are required by law to make monthly contributions to the Fund for their Malaysian citizen and Permanent Resident (PR) employees. It is not compulsory for foreigners to contribute unless they voluntarily elect to do so.

Social Security Organisation

27. The Malaysian Social Security Organisation (SOCSO) is an organisation that administers employment injury insurance and invalidity pension scheme for employees. Initially covering employees earning a monthly MYR3,000 and below, effective 1 June 2016 their purview has been extended to all employees regardless of their monthly salary. All employers are required by law to make monthly contributions to SOCSO for their Malaysian citizen and PR employees, with rates of contribution capped at a ceiling of MYR4,000 monthly salary.

28. Effective 1 January 2018, the Employment Insurance System ("EIS") is implemented and administered by SOCSO whereby the intention is to aid retrenched workers by providing benefits and allowances (for job search, reduced income, and training) while they seek re-employment.

29. Employers are required to deduct EIS from employees in addition to the standard monthly contributions. The rates of contribution are capped also at a ceiling of MYR4,000 monthly salary.

Step 3:
What to do before you arrive in Malaysia

Employment pass

30. Before you are allowed to work in Malaysia, you must have a valid employment pass. Your Malaysian employer is required to lodge an application for Employment Pass to the Immigration authorities with support from the relevant government approving agencies to justify the need of your expertise. The company's nature of business would be the factor in determining the relevant approving agency. A recommendation or support letter from the monitoring agencies of the related industry may also be required. For applications made to the Malaysian Immigration Department (MID) i.e generally for companies registered as business services, oil and gas industry, the pass is obtained through an online application submitted via the Expatriate Services Division (ESD) portal by a Malaysian company. Depending on the type of industry you are employed in, the application can take two weeks to three months to process. The Malaysian Immigration authority would require the Malaysian companies to fulfill the following minimum paid-up capital before registering with the ESD portal to facilitate an application for a work permit:-

100% local owned company	MYR250,000
Joint venture (min. foreign equity 30%)	MYR350,000
100% foreign owned company	MYR500,000
Foreign-owned companies with 51% or > foreign equity, in Wholesale, Retail and Trade (WRT) Sectors OR involved in subsectors on unregulated services	MYR1,000,000

The following documents must accompany the application of Employment Pass:

- A copy of your latest curriculum vitae (CV) outlining your total professional working experience;
- Photocopies (in colour) of the original certificates in English* duly certified true copies by the local Human Resources Manager or above; *(*if not in English, it needs to be translated into English and certified by the Embassy of the issuing country or the nearest Malaysian Embassy);*
- Photocopy of your original passport with more than 12 months validity (complete set including front/back cover and blank pages with minimum 6 consecutive blank pages) duly endorsed as true copy of the original by the local Human Resources Manager or above;
- Recent passport photo with light blue background (taken in full-faceview facing camera with neutral facial expression);
- A copy of your employment contract with the Malaysian company that you will be attached to (duly stamped by

the Malaysian Inland Revenue Board), which must have the following 6 (or 5) components:

- Effective date of your commencement of work;
- Your monthly basic salary (excluding any allowances, bonus, incentives) which must be stated in Malaysian Ringgit (MYR);
- The duration of your employment;
- The position that you will be undertaking;
- Your full name; signed by the Malaysian company authorised representative and you as indication of accepting the terms above.

The minimum monthly basic salary requirement for applicants is MYR5,000. With effect from 15 July 2015, companies may obtain upfront exemption from the Malaysian Ministry of Home Affairs to hire on a year-to-year basis expatriates with monthly basic salaries between MYR2,500 to MYR4,999, under Employment Category Pass III. However, this category of employee is not eligible to bring dependants on accompanying dependent status and would need to serve cooling-off period of 3 months absence from Malaysia in the following circumstances:-

- Change of employer and from Employment Pass category III to category II
- Pass has been extended for 2 times ie 3 years in a row

With effect from August 2016, all Employment Pass holders are required to obtain approval prior to your arrival to Malaysia. If you are already present in Malaysia when the approval of your Employment Pass is granted, you would need to exit Malaysia for a minimum of 72 hours and re-enter before your Employment Pass can be endorsed onto your original passport.

31. Your spouse, children below the age of 18, handicapped or disabled children (regardless of age) and legally adopted children can apply for a dependant pass which is valid for the same period as the employment pass. Spouses of applicants, with professional qualifications, will be allowed to work in Malaysia by obtaining an Employment Pass from the Immigration Department. Employment Pass holder can also apply for foreign maids.

    With effect from October 2014, spouse of applicant holding dependant pass is allowed to work in Malaysia by cancelling dependant pass and apply for a separate independent Employment Pass from the Malaysian Immigration Authorities which must be applied by the spouse's Malaysian employer. Children of Employment Pass holders below 18 years of age and holders of dependant passes who are attending schools or learning institution recognised by the Malaysian Government will have to apply for "Permission to Study". Parents, parents-in-law and unmarried spouses accompanying Employment Pass holders are eligible to apply for a Long Term Social Visit Pass which is renewable on a yearly basis.

32. Employment Passes are normally issued for an initial period of between two to three years and are subject to renewal. An employment period of less than 24 months would also now be granted with an Employment Pass without any levy, as previously imposed on the pass. Accompanying husband will be issued with a dependant pass, instead of the previously issued long term social visit pass.

33. The above are generally applicable for Employment Pass holders for West Malaysia only.

Employment contracts

34. If you should exercise an employment with regional duties, the following points have to be considered:

    – Remuneration for duties performed abroad which are incidental to the Malaysian employment is taxable in Malaysia; and

    – Where duties performed abroad are distinctly outside the scope of the Malaysian employment, this must be proved so that the remuneration in relation thereto would not be taxable in Malaysia.

35. It is therefore strongly recommended that the terms and conditions of employment be fully documented prior to your arrival in Malaysia, preferably in the form of legally enforceable contracts.

Structuring the remuneration package

36. Before moving, you should ensure that satisfactory arrangements are made to cover any extra expenses which you might incur as a result of living in Malaysia. As explained, most of the allowances which you receive by virtue of your Malaysian assignment are likely to be taxable. You may, however, wish to review the following:

    – Whether you should remain on the home country pension plan which is not approved by the IRB, as your personal contributions would be non-deductible, or whether you should contribute to EPF. Under certain circumstances, the IRB may approve the home country pension plan;

    – Whether there are other employee plans (such as savings or life insurance plans) as your employer's contributions to such plans may be considered taxable income;

    – The arrangements for payment of your salary and benefits (cash or otherwise) need to be carefully considered.

Accommodation provided by your employer

37. A housing allowance provided by your employer is fully subject to tax in Malaysia. However, where your employer leases the premises, the taxable benefit is the lower of:

    – The rental of the unfurnished premises; or

    – 30% of your total cash remuneration *.

    * With effect from Y/A 2009, the total cash remuneration would specifically exclude the gross income in respect of any right to acquire shares for the purpose of determining the taxable value of living accommodation.

38. Furniture and equipment provided by your employer are taxed at a nominal rate, based on the Public Ruling issued by the IRB.

39. Where you are responsible for part of the cost of accommodation provided by your employer, the taxable benefit calculated shall be reduced by your contribution. Where your contribution exceeds the taxable benefit, the taxable benefit is regarded as nil.

Leave passages

40. The cost of three leave passages within Malaysia in any calendar year and one leave passage between Malaysia and any place outside Malaysia provided to you and members of your immediate family is exempt from income tax. The exemption for one overseas leave passage is restricted to a maximum of MYR3,000. A total of 3 leave passages for travel within Malaysia including fares, meals and accommodation are exempted annually.

Medical and dental treatment

41. Medical and dental treatment provided to you and members of your immediate family are exempt from income tax.

Education benefit

42. Expenses paid directly or indirectly by your employer in respect of the education of your child are chargeable to tax.

Share income

43. You will be liable to tax on the benefit accruing upon exercising of the share option / vesting of the share award attributable to the period of your employment in Malaysia.

Compensation for loss of employment

44. Compensation for loss of employment / VSS payments to the extent of MYR10,000 for each completed year of service with the same employer or group of companies is exempt from income tax for individuals retrenched after 1 July 2008.

45. A gratuity on retirement from an employment is also fully exempt from income tax, subject to certain conditions. With effect from Y/A 2016. exemption of MYR1,000 per completed year of service with the same employer or group of companies is available if the conditions for full exemption cannot be met.

46. Examples of other components which may make up an expatriate's package and an overview of the tax treatment of each component are set out in Appendix C.

Tax equalization or reimbursement plans

47. A tax reimbursement program is usually provided by employers to alleviate any tax increase which may be incurred whilst on an overseas assignment.

48. A tax reimbursement program may be modeled either as a "tax protection plan" or a "tax equalization plan".

49. Under a tax protection plan, the company will reimburse an employee for actual taxes paid in excess of the amount he would have suffered in his home country had he not been posted overseas. If the employee's actual tax liabilities are less than the hypothetical home country tax, the employee is allowed to keep the tax "windfall".

50. On the other hand, a tax equalization plan ensures that the employee's tax burden will be the same as if he had remained in the home country. If the employee's actual taxes are greater than that which would have been incurred in the home country, the employer reimburses the excess. Similarly, if the actual taxes are less than that which would have been incurred in the home country, the employer retains the excess.

51. Both plans require the calculation of the employee's hypothetical home country tax, which is generally computed on the base salary and other base remuneration as if the employee had remained in his home country.

52. Some companies reimburse their employees the excess tax suffered on total income including investment income, while others reimburse the excess relating to employment income only. The liability of the employee and the employer will therefore depend upon the particular company's tax reimbursement policy.

Step 4:
What to do when you arrive in Malaysia

Endorsement of Employment Pass and related passes

53. Your Employment Pass and related passes can only be endorsed onto the original passports upon your entry into Malaysia, i.e. after approvals are granted. You would be required to present your original passport (together with your dependants) upon your arrival in Malaysia.

Notification of new employee

54. Your employer is required to notify the IRB of the commencement of employment within 1 month from the date of commencement.

Monthly Tax Deduction (MTD) As Final Tax

55. As part of the final tax regime, your employer is required to deduct tax on your total employment income (inclusive of fringe benefits) via monthly payroll. The amount to be deducted is determined according to the MTD deduction schedule, either manually or via computerised calculation.

56. Employers on computerised calculations are required to process their employees' personal relief claims and rebates at least twice a year, to be included in the MTD calculations. An IRB-prescribed form is used for this purpose, and the onus is on the employee to retain supporting documentation or receipts in the event of a tax audit by the IRB. You do not need to submit a copy of the receipts to your employer.

57. The total tax deducted will be deemed as the tax liability for the year unless you submit a tax return. You are only allowed not to submit a tax return if:

    a. you only earn employment income during the tax year

    b. tax is deducted from your employment income on a monthly basis;

    c. you did not switch employers during the tax year

    d. your Malaysian tax is not borne by your employer, and

    e. your spouse did not file a tax return electing for both of your income to be reported together in the same return.

58. Nevertheless, if in any case you do file a tax return (either by choice or if you cannot qualify for MTD As Final Tax), the total tax so deducted will be set-off against your final tax liability according to your deemed assessment.

Tax status

59. As can be seen from Step 1, your tax status (i.e., resident or non-resident) is of primary importance in establishing the manner in which you will be taxed in Malaysia. Although you may have a good idea as to what your tax status will be, you should contact your tax advisers to be absolutely certain.

Claims for personal reliefs

60. Claims for reliefs and deductions are processed either via MTD or are made on your tax return. In the event that you are considered to be resident in Malaysia in the year of arrival, you can claim certain personal reliefs for that year. For details of personal reliefs and deductions, please refer to Appendix B.

Step 5:
What to do at the end of the tax year

Self assessment

61. The self assessment system (SAS) for salaried individuals, businesses and partnerships was implemented with effect from Y/A 2004.

62. Under the self assessment system which is based on the concept of "Pay, Self Assess and File", individuals are required to:

 * **Pay** their income tax liability through monthly salary deductions for individuals having employment income.

 * **Self Assess** and compute their own Malaysian tax liability; and

 * **File** their completed income tax return forms to the IRB together with the payment of balance of tax payable (if any).

Tax return

63. Unless MTD As Final Tax applies, every individual who has chargeable income for a year of assessment must file a tax return to the Director General of Inland Revenue by 30 April (employment income only) or 30 June of the following year.

64. Penalties can be imposed for failing to give such notification and for failure to submit the tax return within the stipulated time frame for submission of tax returns.

65. Your employer should provide you with a Form CP8A (also known as Form EA) declaring your remuneration for the basis period. You should properly keep the Form CP8A as supporting documentation in case there is tax audit conducted on you by the IRB to ascertain that the income reported in your tax return is correct and in compliance with tax laws and regulations.

66. A calculation of your tax liability is made but need not be submitted along with your tax return. Similarly, supporting documentation for your personal relief and rebate claims are also not required to be submitted.

Notice of assessment

67. Under SAS, the tax return furnished by the taxpayer is deemed to be a notice of assessment and the notice of assessment is deemed to be issued on the day the return is submitted to the IRB.

68. If a taxpayer is dissatisfied with an assessment deemed to be served on him, he should file an appeal within 30 days from the date of submission of the tax return.

69. You will have to settle any balance tax payment [i.e., tax payable as per deemed assessment less monthly tax deducted ("MTD")] to the IRB by 30 April / 30 June of the following year. A penalty may be imposed for late payment.

70. If MTD As Final Tax applies, the tax deducted from you will be deemed as tax payable for the year and, under SAS, there will be no assessment issued by the IRB.

Step 6:
What to do when you leave Malaysia

Notification by Employer of Employee's Departure from Malaysia

71. When the date of your departure is confirmed, your employer should complete a Form CP21 on which your employment income from 1 January of the current calendar year to the date of your cessation is reported. This form has to be submitted to the IRB not less than one month prior to the date of your intended departure.

72. Your employer is obliged to withhold any remaining monies due to you for up to 90 days from the date of submission of the Form CP21 to the tax authorities or until clearance is obtained from them. If the monies withheld are not sufficient to pay the tax assessed, you will have to settle the difference.

73. Any further monies payable by your employer after your departure can only be paid to you after clearance has been obtained from the IRB.

Deferred remuneration

74. Income from employment is assessed as income of the year for which the amount is received. However, if remuneration (such as a bonus) is earned in respect of services performed in Malaysia, but paid after your departure, such remuneration is taxable. Therefore, it is possible that a further charge to Malaysian tax may arise after you leave the country.

Employment pass

75. You should cancel your employment pass and any dependant passes which are linked to your pass before you leave Malaysia. This can be done within 30 days from your expected departure date.

EPF withdrawal

76. Prior to your final departure, if you have been contributing to EPF, you will need to apply for withdrawal of the total amount credited to your account with the EPF Board. Provided that your departure from Malaysia is intended to be permanent, the withdrawal will be approved and no tax liability will arise in Malaysia in respect of the amount withdrawn.

Transferring funds

77. There are no restrictions on the repatriation of dividends, interest, rental, and commission. The necessary documentary evidence would be processed by the retail banks.

78. An expatriate is allowed to import Ringgit notes up to USD10,000 equivalent and any amount of foreign currency into Malaysia on his person or in his baggage, upon his arrival in Malaysia from any place outside Malaysia. An amount exceeding this limit must be declared to Customs upon entry.

79. Upon leaving Malaysia, an expatriate is allowed to export Ringgit notes up to USD10,000 and foreign currency up to the amount of foreign currency initially brought into Malaysia. Prior permission from the Controller of Foreign Exchange is required for the export of any amounts exceeding those mentioned.

80. A traveller is required to declare the amount of Ringgit Malaysia and foreign currency imported upon his arrival in Malaysia from any place outside Malaysia, or exported upon his leaving Malaysia for any destination outside Malaysia.

Appendix A:

Income tax rates for 2017 and 2018

Tax rates 2017 and 2018

A person who is a resident in Malaysia for tax purposes is taxed on chargeable income, after personal reliefs, at the following rates:

	Chargeable income MYR	2017 Tax Rate %	Tax payable Y/A 2017 MYR	2018 Tax Rate %	Tax payable Y/A 2018 MYR
On the first	5,000	0	-	0	-
On the next	15,000	1	150	1	150
On the first	20,000		150		150
On the next	15,000	5	750	3	450
On the first	35,000		900		600
On the next	15,000	10	1,500	8	1,200
On the first	50,000		2,400		1,800
On the next	20,000	16	3,200	14	2,800
On the first	70,000		5,600		4,600
On the next	30,000	21	6,300	21	6,300
On the first	100,000		11,900		10,900
On the next	150,000	24	36,000	24	36,000
On the first	250,000		47,900		46,900
On the next	150,000	24.5	36,750	24.5	36,750
On the first	400,000		84,650		83,650
On the next	200,000	25	50,000	25	50,000
On the first	600,000		134,650		133,650
On the next	400,000	26	104,000	26	104,000
On the first	1,000,000		238,650		237,650
Above	1,000,000	28		28	

Notes:

1. Interest accruing in or derived from Malaysia and received from a bank or finance company licensed under the Banking and Financial Institutions Act 1989 (except for interest specifically exempted under statutory orders) is fully tax exempt effective from Y/A 2009.

2. A person who is not resident in Malaysia for tax purposes is taxed at the rate of 28% on his gross income accruing in or derived from Malaysia.

3. An approved individual under the Returning Expert Programme who is a resident is taxed at the rate of 15% on income in respect of having or exercising employment with a person in Malaysia. This tax rate is only allowed for five consecutive tax years from the first or at most second year upon returning to Malaysia.

Appendix B:
Personal reliefs (resident individual taxpayers)

Types of Relief (Ys/A 2017/2018)	MYR
Self	9,000
Disabled individual - additional relief for self	6,000
Spouse earning worldwide income of less than MYR4,000	4,000
Disabled spouse - additional spouse relief	3,500
Child:	
• Per child (below 18 years of age)	2,000
• Per child (over 18 years of age) receiving full-time instruction in respect of:	
– diploma level and above in Malaysia	8,000
– degree level and above outside Malaysia	8,000
• Per physically/mentally disabled child	6,000
• Physically/mentally disabled child (over 18 years of age) receiving full-time instruction at institution of higher education or serving under articles of indentures in a trade or profession	14,000
Parental care – father and/or mother (until Y/A 2020)	1,500/parent
Life insurance premiums and EPF contributions	6,000*
Private Retirement Scheme contributions and Deferred annuity scheme premium (from Ys/A 2012 to 2021)	3,000*
Insurance premiums for education or medical benefits	3,000*
Medical expenses for:	
• Parents – if relief for parental care is not claimed	5,000*
• Self, spouse or child suffering from a serious disease (including fees of up to MYR500 incurred by self, spouse or child for complete medical examination)	6,000*
Purchase of supporting equipment for self (if a disabled person) or for disabled spouse, child or parent	6,000*
Fee expended for taxpayer's own continual education at tertiary level and above	7,000*
Net deposit for child into the Skim Simpanan Pendidikan 1Malaysia account established under Perbadanan Tabung Pendidikan Tinggi Nasional Act 1997 (until Y/A 2020)	6,000*

Types of Relief (Ys/A 2017/2018)	MYR
Interest paid for the first three consecutive years on housing loan taken on one unit residential property whereby the Sale and Purchase Agreement was executed between 10 March 2009 until 31 December 2010	10,000*
Employee's contribution to SOCSO	250*
Lifestyle – consolidates the following: • purchase of books, journals, magazines, printed newspaper and other similar publications for the purpose of enhancing knowledge • purchase of personal computer, smartphone or tablet • purchase of sports equipment and gym memberships, and • internet subscription	2,500*
Purchase of breastfeeding equipment for children up to two years old	1,000*
Fees paid to child care centre and kindergarten for children below six years old	1,000*

* Maximum relief

The following employment income items are tax-exempted effective 1 January 2008:

Exemptions Available for Employees (w.e.f. Y/A 2008)

Parking fees or allowance.	Fully exempted
Meal allowance – Received by an employee on a regular basis such as on a daily or monthly basis and given at the same rate to all employees.	Fully exempted
Subsidies on interest on loans totalling up to MYR300,000 for housing, passenger motor vehicles & education. The exemption is available for existing or new loans.	Fully exempted
Telephone (including mobile phone), phone bills, pager, personal data assistant (PDA) & internet subscriptions and hardware – regardless of whether the employee or employer owns the phone lines	Fully exempted
Medical and dental treatment benefit has always been an exempt benefit. It is now expanded to maternity and traditional medicines such as acupuncture and ayurvedic.	Fully exempted
Employer services provided free or at a discount.	Fully exempted
Petrol card/petrol/travel allowances for travels relating to official employment duties.	Exempted up to MYR6,000 p.a.
Childcare subsidies/allowances in respect of children up to 12 years old.	Exempted up to MYR2,400 p.a.
Employer goods provided free or at a discount.	Exempted up to MYR1,000 p.a.

Appendix C:
Elements of remuneration packages

	Employee			Employer	
	Taxable	Concessional tax treatment	Tax free	Deductible	Non deductible
Salary, bonus, commission	x			x	
Accommodation, subsidised, rent-free or company property		x		x	
Club entrance fee for business (Corporate membership)			x		x
Club monthly subscriptions (corporate/individual membership)	x			x	
Education allowances for dependent children	x			x	
Cash allowances	x			x	
Funding cost of interest-free loan to employees except equity directors (see Note 2 below)	x *			x	
Lump sum compensation for loss of office (see Note 3 below)		x		x	
Gratuity (see Note 4 below)		x			
Leave passage (exempt for 1 overseas passages up to a maximum of MYR3,000, or 3 domestic leave passages including fares, meals and accommodation)	x				x
Medical benefits			x	x	
Dental benefits			x	x	
Motor vehicles for private use		x		x	
Income tax on salaries borne by the employer	x			x	

	Employee			Employer	
	Taxable	Concessional tax treatment	Tax free	Deductible	Non deductible
Share option scheme	x			x	
Provision of domestic servants	x			x	
Furniture and domestic equipment provided by employer		x		x	

* But exempted on total loan of MYR300,000 taken for education, purchase of house or non-commercial car.

Notes:

1. The above table presents only a general overview of the tax treatment of the common elements found in a remuneration package under a Malaysian employment. In some cases, certain conditions must be satisfied before the tax treatment indicated is applicable.
2. Subsidies on interest on loans totalling up to MYR300,000 for housing, passenger motor vehicles & education. The exemption is available for existing or new loans.
3. Tax exemption of MYR10,000 is available for each completed year of service.
4. Either full exemption or exemption of MYR1,000 for each completed year of service is available.

Appendix D:
Typical tax computation

Tax computation	With tax planning (MYR)	Without tax planning (MYR)
Base salary	180,000	180,000
Bonus related to Malaysian assignment	30,000	30,000
Cost of living allowance	25,000	25,000
Education	18,000	18,000
Furniture allowance paid to employee (fully taxable)		12,000
Car allowance		12,000
Club fees: personal membership		25,000
Subtotal	**253,000**	**302,000**
Housing provided by employer (unfurnished) Ascertainment of taxable value of living accommodation Taxed on MYR75,900 (30% of MYR253,000) or Taxed on MYR90,600 (30% of MYR302,000) or actual rent (MYR90,000) whichever is the lower	75,900	90,000
House fittings rented/provided by employer (value as per BIK Public Ruling)	3,360	
Furniture allowance paid to employee (fully taxable) Electricity, water, telephone bills (actual)	4,000	4,000
Car and fuel provided by employer (value as per BIK Public Ruling - for car costing MYR110,000)	6,500	
Medical and dental treatment	Exempt	Exempt
Leave passage for 1 overseas trip costing MYR20,000 (exempt up to a maximum of MYR3,000 only)	17,000	17,000
Club Fees: corporate membership	25,000	
Total remuneration	**384,760**	**413,000**
Less: Personal Reliefs	(9,000)	(9,000)
Spouse	(4,000)	(4,000)
Children (2 under age 18)	(4,000)	(4,000)

Tax computation	With tax planning (MYR)	Without tax planning (MYR)
Life insurance premiums and EPF contributions (maximum)	(6,000)	(6,000)
Total taxable income	**361,760**	**390,000**
Tax at resident rates (Y/A 2018)	***74,281.20***	***81,200.00***

(Difference MYR6,918.80)
Note: The above tax computation only takes into account personal tax perspective and does not take into account other factors such as human resource issues.

Appendix E:
Double-taxation agreements

Countries with which Malaysia has double-taxation agreements:

** Restricted to taxation of air and sea transport operations in international traffic.

Albania	Hong Kong	Myanmar	Sudan
Argentina (Limited Agreement)**	Hungary	Namibia	Sweden
Australia	India	Netherlands	Switzerland
Austria	Indonesia	New Zealand	Syria
Bahrain	Iran	Norway	Thailand
Bangladesh	Ireland	Pakistan	Turkey
Belgium	Italy	Papua New Guinea	Turkmenistan
Bosnia & Herzegovina	Japan	Philippines	United Arab Emirates
Brunei	Jordan	Poland	United Kingdom
Canada	Kazakhstan	Qatar	United States (Limited Agreement)**
Chile	Korea Republic	Romania	Uzbekistan
China	Kuwait	Russian Federation	Venezuela, Bolivaria Republic of
Croatia	Kyrgyz Republic	San Marino	Vietnam
Czech Republic	Laos	Saudi Arabia	Zimbabwe
Denmark	Lebanon	Seychelles Republic	
Egypt	Luxembourg	Singapore	
Fiji	Malta	South Africa	
Finland	Mauritius	Spain	
France	Mongolia	Slovakia	
Germany	Morocco	Sri Lanka	

Appendix F:
Malaysian contacts and offices

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