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# ***International Assignment Services*** Taxation of International Assignees Country – Malaysia

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*Human Resources Services*

*International Assignment*

*Taxation Folio*



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Additional Country Folios can be located at the following website: **[www.pwc.com/ias/folios](http://www.pwc.com/ias/folios)**

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# *Introduction – International assignees working in Malaysia*

Many expatriates working in Malaysia come to us for advice on 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.

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# ***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 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:

|                            | <b>Tax Resident</b>                 | <b>Non-tax resident</b> |
|----------------------------|-------------------------------------|-------------------------|
| Applicable tax rate        | Scaled rates ranging from 0% to 26% | Flat rate at 26%        |
| Claim for personal reliefs | Eligible                            | Not eligible            |

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# ***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.
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 year of assessment (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) and Regional Distribution Centres (RDC) with effect from year of assessment (Y/A) 2008.
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 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 and where it is paid and whether it has been remitted into Malaysia or not. Employers are required to prepare a return of remuneration (Form C.P. 8A) to the Malaysian Revenue 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. Reimbursement 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.
14. It is important to note that remuneration is taxable at the time when it is earned and generally not when it is actually paid or received. This is particularly relevant to remuneration such as share of profits, the payment of which may be deferred beyond the period in which they were earned. Nevertheless, effective from YA 2009, bonus and directors' fee is taxable in the year of receipt and as such no more trailing back to the year it was accrued.
15. Employment income is taken as income of the year in which it is earned. With effect from the year 2000, income is assessed on a current year basis. All employees are subject to a scheme of monthly tax deduction from their salaries on a 'pay as you earn' (PAYE) basis.

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16. 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 Inland Revenue Board (IRB) to the taxpayer.
  17. 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.
  18. Under the SAS, the IRB monitors taxpayers' compliance with the law through field audits.

### ***Sole proprietorship and partnership income***

19. 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***

20. 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).
21. For individuals who are resident or non resident in Malaysia, investment income which arises from sources outside Malaysia is tax exempt

### ***Capital gains***

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

### ***Remittances***

23. 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***

24. 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.

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## *Employees provident fund*

25. The 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 employees.

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# Step 3 – What to do before you arrive in Malaysia

## Employment pass

26. Before you are allowed to work in Malaysia, you must have a valid employment pass. The pass is obtained generally through an application submitted by a Malaysian company to the Immigration Department. Depending on the type of industry you are employed in, the application can take two weeks to three months to process. It is therefore advisable for an application to be made prior to taking up your Malaysian assignment. The Malaysian Immigration authority has also required for all Malaysian company to fulfill the following minimum paid-up capital before an application for a work permit can be submitted to them:-

|                                 |            |
|---------------------------------|------------|
| 100% local owned company        | MYR250,000 |
| Local and Foreign owned company | MYR350,000 |
| 100% foreign owned company      | MYR500,000 |

The following documents must accompany the application:

- A copy of your curriculum vitae (CV);
- Original certificates of your latest qualification(s) or photocopies of the original certificates duly endorsed by the issuing authority;
- A statutory declaration of the authenticity of the qualifications;
- A copy of your employment contract with the Malaysian company that you will be attached to, which must have the following 6 components:
  - Your effective date of commencement of work;
  - Your monthly remuneration (which must be stated in Ringgit Malaysia);
  - The duration of your employment;
  - The position that you will be undertaking;
  - Your full name; Sign by the Malaysian company authorized representative and you as indication of accepting the terms above.

With effect from 1 January 2010, all applicants must earn a monthly salary of not less than RM 5,000 . The requirement for applicants to be at least 25 years of age has been waived in early 2010. The minimum age (21 years of age) requirement for foreign applicants under contract with a multimedia super corridor (MSC) status company has also been waived.

The Malaysian Immigration authority have also introduced a fast track approval route for applicants with monthly salary of RM8,000. This application would take a maximum of three weeks to complete the whole process.

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27. The applicant's spouse and children below the age of 21 can apply for a dependent 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. Children of employment pass holders below 18 years of age who will be attending schools or an institution which is recognized by the Government in Malaysia will have to apply for a Permission to Study. Employment passes are normally issued for an initial period of between two to three years and are subject to renewal. An applicant with employment period of less than 24 months would be granted with Temporary Employment Pass and levy (depending on industry) would be imposed on the pass. With effect from November 2008, the dependent pass holder is allowed to work in Malaysia without converting the dependant pass provided an application for "Permission to Work" is submitted to the Malaysian Immigration Authorities. Furthermore, the accompanying husband will be issued with a dependant pass, instead of the of the previous long term social visit pass.

### ***Employment contracts***

28. 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.
29. 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***

30. 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 Malaysian Revenue, as your personal contributions would be non-deductible, or whether you should contribute to the Malaysian Employees' Provident Fund (EPF). Under certain circumstances, the Malaysian Revenue 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***

31. 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.
32. Furniture and equipment provided by your employer are taxed at a nominal rate, based on the Public Ruling issued by the Malaysian tax authorities.
33. 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.

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## ***Leave passages***

34. 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 RM 3,000. A total of 3 leave passages for travel within Malaysia including fares, meals and accommodation are exempted annually.

## ***Medical and dental treatment***

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

## ***Education benefit***

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

## ***Share options***

37. You will be liable to tax on the benefit accruing on the grant of a share option. Up until Y/A 2005, the taxable benefit arises on the date of grant and is calculated as the fair market value (i.e., average of the highest and lowest share price) on the date of grant less the option/exercise price.
38. Effective Y/A 2006, the value of benefit for each share option will be determined based on the difference between the market price on the date the share option is exercised or exercisable, whichever is the lower, and the discounted price offered by the employer. The taxable benefit is liable to tax in the year the option is exercised.
39. Exercisable date means the date when the right shall be exercised, assigned, released or acquired if the right is exercisable on a specified date or where the right shall be exercised, assigned, released or acquired within a specified period, the first day of that period.

## ***Compensation for loss of employment***

40. Compensation for loss of employment to the extent of RM 6,000 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 and received compensation for loss of employment/VSS payments, the tax exemption available has been increased from RM 6,000 to RM10,000 for each completed year of service. A gratuity on retirement from an employment is also exempt from income tax, subject to certain conditions.
41. 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***

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

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43. A tax reimbursement program may be modeled either as a "tax protection plan" or a "tax equalization plan".
  44. 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".
  45. 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.
  46. 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.
  47. 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.

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# *Step 4 – What to do when you arrive in Malaysia*

## *Notification of new employee*

48. Your employer is required to notify the Malaysian Revenue of the commencement of employment within 1 month from the date of commencement.

## *Monthly Tax Deduction (MTD)*

49. Your employer is required to deduct tax from your monthly remuneration based on your total cash remuneration received each month, the amount to be deducted being determined according to the MTD deduction schedule. However, employees may now opt to include taxable benefits-in-kind as part of the MTD calculation. This option is irrevocable and approval from the employer is required. The total tax so deducted will be set-off against your final tax liability according to your deemed assessment.

## *Tax status*

50. 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*

51. Claims for reliefs and deductions 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

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# ***Step 5 – What to do at the end of the tax year***

## ***Self assessment***

52. The self assessment system (SAS) for salaried individuals, businesses and partnerships was implemented with effect from Y/A 2004.
53. Under the self assessment system which is based on the concept of ‘File and Pay’, individuals are required to:
- \* **File** their completed income tax return forms to the IRB together with the payment of balance of tax payable (if any); and
  - \* **Pay** their income tax liability through monthly salary deductions for individuals having employment income.

## ***Tax return***

54. 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 of the following year.
55. 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.
56. Your employer should provide you with a Form CP 8A (also known as Form EA) declaring your remuneration for the basis period. You should properly keep the Form CP 8A as supporting documentation in case there is tax audit conducted on you by the Malaysian Inland Revenue Board to ascertain that the income reported in your tax return is correct and in compliance with tax laws and regulations.
57. A calculation of your tax liability is made but need not be submitted along with your tax return.

## ***Notice of assessment***

58. 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 Malaysian Inland Revenue Board.
59. 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.
60. You will have to settle any balance tax payment [i.e., tax payable as per deemed assessment less monthly tax deducted (“STD”)] to the Malaysian Inland Revenue Board by 30 April of the following year. A penalty may be imposed for late payment.

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# ***Step 6 – What to do when you leave Malaysia***

## ***Notification by Employer of Departure from the Country of an Employee***

61. When the date of your departure is confirmed, your employer should complete a Form CP21 on which your employment income from 1 January to the date of your cessation is reported. This form has to be submitted to the Malaysian Inland Revenue Board not less than one month prior to the date of your intended departure.
62. Your employer is obliged to withhold any monies due to you for up to 90 days from the date of submission of the Form CP 21 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.
63. Any further monies payable by your employer after your departure can only be paid to you after clearance has been obtained from the Malaysian Inland Revenue Board.

## ***Deferred remuneration***

64. Income from employment is normally assessed as income of the year for which the amount is earned and not income of the year in which it is paid. If remuneration (such as a bonus) is earned in respect of services performed in Malaysia and is 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***

65. You should cancel your employment pass and any dependant passes which are linked to your pass before you leave Malaysia.

## ***EPF withdrawal***

66. Prior to your final departure, if you have been contributing to the Malaysian Employees' Provident Fund (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***

67. There are no restrictions on the repatriation of dividends, interest, rental, and commission. The necessary documentary evidence would be processed by the retail banks.
68. An expatriate is allowed to import Ringgit notes up to RM 1,000 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.
69. Upon leaving Malaysia, an expatriate is allowed to export Ringgit notes up to RM 1,000 and foreign currency up to the amount of foreign currency brought into Malaysia. Prior permission from the Controller of Foreign Exchange is required for the export of any amounts exceeding those mentioned.
70. A traveler is required to declare the amount of Ringgit 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.

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# Appendix A – Income tax rates for 2011

## Tax rates 2011

- a. A person who is a resident in Malaysia for tax purposes is taxed on chargeable income, after personal reliefs, at the following rates (year of assessment 2011):

|              | Chargeable income RM | Rate % | Tax payable Y/A 2011 RM |
|--------------|----------------------|--------|-------------------------|
| On the first | 2,500                | 0      | -                       |
| On the next  | 2,500                | 1      | 25                      |
| On the first | 5,000                |        | 25                      |
| On the next  | 15,000               | 3      | 450                     |
| On the first | 20,000               |        | 475                     |
| On the next  | 15,000               | 7      | 1,050                   |
| On the first | 35,000               |        | 1,525                   |
| On the next  | 15,000               | 12     | 1,800                   |
| On the first | 50,000               |        | 3,325                   |
| On the next  | 20,000               | 19     | 3,800                   |
| On the first | 70,000               |        | 7,125                   |
| On the next  | 30,000               | 24     | 7,200                   |
| On the first | 100,000              |        | 14,325                  |
| Above        | 100,000              | 26     |                         |

## Notes:

- 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 subject to a 5% income tax on gross interest income. This tax is deducted at source. Effective from Y/A 2009, such interest is fully tax exempt.
- A person who is not resident in Malaysia for tax purposes is taxed at the rate of 26% on his gross income accruing in or derived from Malaysia.

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# Appendix B – Personal reliefs (resident individual taxpayers)

| Types of Relief (YA 2011)   | RM    |
|---|-------|
| Self  | 9,000 |
| Disabled individual - additional relief for self  | 6,000 |
| Spouse  | 3,000 |
| Disabled spouse - additional spouse relief  | 3,500 |
| Child:  |       |
| • Per child (below 18 years of age)   | 1,000 |
| • Per child (over 18 years of age) receiving full-time instruction in respect of:   |       |
| – - diploma level and above in Malaysia   | 4,000 |
| – - degree level and above outside Malaysia   | 4,000 |
| • Per physically / mentally disabled child  | 5,000 |
| • 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 | 4,000 |
| Life insurance premiums, EPF contributions and Deferred Annuity Scheme premium (capped to RM1,000)  | 7,000 |
| Insurance premiums for education or medical benefits  | 3,000 |
| Medical expenses for:   |       |
| • Parents   | 5,000 |
| • Self, spouse or child suffering from a serious disease (including fees of up to RM500 incurred by self, spouse or child for complete medical examination)                                       | 5,000 |
| Purchase of sports equipment  | 300   |
| Fee expended for taxpayer's own continual education at tertiary level and above   | 5,000 |
| Purchase of supporting equipment for self (if a disabled person) or for disabled spouse, child or parent  | 5,000 |
| Cost incurred for the purchase of books, journals, magazines and other similar publications for the purpose of enhancing knowledge  | 1,000 |
| Relief for purchase of personal computer once every 3 years - This includes laptop and desktop but does not include palmtop, personal digital assistant (PDA) and its equivalent                  | 3,000 |
| Broadband subscriptions   | 500   |
| Deposit for child into the Skim Simpanan Pendidikan Nasional account established under Perbadanan Tabung Pendidikan Tinggi Nasional Act 1997  | 3,000 |

\* Maximum relief

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

## ***Exemptions Available for Employees (w.e.f YA 2008)***

| <b>Parking fees or allowance</b>   | <b>Fully exempted</b>        |
|--|------------------------------|
| 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 RM 300,000 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 – 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               |
| Gifts of new personal computers – Desktop, laptop or handheld computer but does not include computer accessories such as software.   | Fully exempted               |
| Petrol card/petrol/travel allowances for travels between home & workplace  | Exempted up to RM 2,400 p.a. |
| Petrol card/petrol/travel allowances for travels relating to official employment duties  | Exempted up to RM 6,000 p.a. |
| Childcare subsidies/allowances   | Exempted up to RM 2,400 p.a. |
| Employer goods provided free or at a discount  | Exempted up to RM 1,000 p.a. |

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# 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  |          | x                          |          | x          |                |
| Leave passage (exempt for 1 overseas passages up to a maximum of RM3000, or 3 domestic leave passages including fares, meals and accommodation) |          |                            |          |            | 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          |                |
| Share option scheme   | x        |                            |          | x          |                |
| Provision of domestic servants  | x        |                            |          | x          |                |
| Furniture and domestic equipment provided by employer   |          | x                          |          | x          |                |
| Gift of new computers from employer (see note 3 below)  |          |                            | x        | x          |                |

\* But exempted on total loan of RM300,000 taken for education, purchase of house or non-commercial car.

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## **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 RM 300,000 for housing, passenger motor vehicles & education. The exemption is available for existing or new loans.
3. Gifts of new personal computers includes desktop, laptop or handheld computer but does not include computer accessories such as software.

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# Appendix D – Typical tax computation

| Tax computation   | With tax planning (RM) | Without tax planning (RM) |
|---|------------------------|---------------------------|
| 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  | <b>253,000</b>         | <b>302,000</b>            |
| Housing provided by employer (unfurnished)<br>Ascertainment of taxable value of living accommodation<br>Taxed on RM75,900 (30% of RM253,000) or<br>Taxed on RM90,600 (30% of RM302,000) or<br>actual rent (RM90,000) 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 RM110,000)  | 6,500                  |                           |
| Car allowance   |                        |                           |
| Medical and dental treatment  | Exempt                 | Exempt                    |
| Leave passage for 1 overseas trip costing RM 20,000 (exempt up to a maximum of RM 3,000 only)   | 17,000                 | 17,000                    |
| Club Fees: corporate membership   | 25,000                 |                           |
| Total remuneration  | <b>384,760</b>         | <b>413,000</b>            |
| Less: Personal Reliefs  | (9,000)                | (9,000)                   |
| Spouse  | (3,000)                | (3,000)                   |
| Children (2 under age 18)   | (2,000)                | (2,000)                   |
| Life insurance premiums and EPF contributions (maximum)   | (6,000)                | (6,000)                   |
| Total taxable income  | 364,760                | 393,000                   |
| <b>Tax at resident rates (Y/A 2011)</b>   | <b>83,162.60</b>       | <b>90,505.00</b>          |

(Difference RM 7,342.40)

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.

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# Appendix E – Double-taxation agreements

## Countries with which Malaysia has double-taxation agreements:

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

Restricted to taxation of air transport operations in international traffic.

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

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# Appendix F – Malaysian contacts and offices

## Contacts

**Ms. Sakaya Johns Rani**  
Tel: [60] (3) 2173 1553  
Email: [sakaya.johns.rani@my.pwc.com](mailto:sakaya.johns.rani@my.pwc.com)

**Ms. Jaqueline Tan**  
Tel: [60] (3) 2173 0952  
Email: [jaqueline.jj.tan@my.pwc.com](mailto:jaqueline.jj.tan@my.pwc.com)

## Offices

**Kuala Lumpur**  
PricewaterhouseCoopers  
10th Floor, 1 Sentral  
Jalan Travers,  
Kuala Lumpur Sentral  
P.O.Box 10192  
50706 Kuala Lumpur  
Malaysia

Tel: [60] (3) 2173 1188  
Fax: [60] (3) 2173 1288

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