A GUIDE TO TAXES LEVIED ON REAL ESTATE IN MALAYSIA

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INTRODUCTION

There are certain taxes to be levied on real estate in Malaysia. It is pertinent for persons who wish to purchase or own real estate in Malaysia to be aware of such taxes.

1. STAMP DUTY

The stamp duty is a tax levied on the instrument of transfer as specified in the First Schedule of Stamps Act 1949. A purchaser (be it an individual or a company) of a real estate is required to pay for the stamp duty on the instrument of transfer of the real estate; and if he is taking a loan to finance the purchase of the real estate, he will in addition be required to pay stamp duty on the loan agreement and the charge documents.

The stamp duty payable by the purchaser in respect of the instrument of transfer is based on the consideration (i.e. purchase price) of the real estate or the current market value of the real estate (whichever is higher), which varies from 1 percent to 4 percent. Meanwhile, the stamp duty payable on the loan agreement is based on the loan margin (i.e. loan amount) at a flat rate of 0.5%.

2. REAL PROPERTY GAINS TAX

Capital gains are generally not subject to income tax in Malaysia. However, real property gains tax (RPGT) is levied on chargeable gains arising from the disposal of real estate situated in Malaysia, or on any interest, option or other rights in or over such land, as well as the disposal of shares in real property companies.

The RPGT rates for the disposal of real property and shares in real property companies are as follows:

Date of Disposal	Companies	Individual (Citizen & PR)	Individual (Non-citizen)
Within 3 years from the date of acquisition	30%	30%	30%
In the 4th year	20%	20%	30%
In the 5th year	15%	15%	30%
6th year onwards	10%	5%	10%

3. PROPERTY ASSESSMENT (CUKAI HARTA)

Properties within local authorities' boundaries are also required to pay an "assessment" or "cukai harta". This tax is calculated as a percentage of annual rental value, therefore varying with the property type and the location of the property, multiplied by a set of rates determined by local authorities.

Purpose of property assessment is to finance the maintenance and construction efforts of various public infrastructures around the neighbourhood, town or city where the real estate is located.

4. QUIT RENT (CUKAI TANAH)

Quit rent is applicable to land owners, either freehold or leasehold and is an annual tax payable to the state government of each individual state. This tax also applies on homeowners of apartments, condominiums and other property held under strata titles. The rates of quit rent may vary between respective states and even within the same state.

5. PERSONAL INCOME TAX

In Malaysia, income derived from letting of real properties is taxable under paragraph 4(a) (business income) or 4(d) (rental income) of the Income Tax Act 1967.

The income will be deemed as derived from a business source if maintenance services or support services are comprehensively and actively provided in relation to the real estate. However, if the real estate is rented out without providing maintenance and support services, the rental collected will be regarded as a rental income (non-business source of income).

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