

Malaysia

Income Tax Rate	26%
Corporate Tax Rate	25%
Sales Tax / Service Rate	5% - 10%

Personal Income Tax

Malaysia individual income tax rates are progressive, up to 26%.

Personal Income tax rates applicable to taxable income are as follows:

Taxable Income per year (RM)	Tax rate
RM 0 - 2,500	Exempt
RM 5,501 – 5,000	1%
RM 5,001 – 10,000	3%
RM 10,001 – 20,000	3%
RM 20,001 – 35,000	7%
RM 35,001 – 50,000	12%
RM 50,001 – 70,000	19%
RM 70,001 – 100,000	24%
RM 100,001 – 150,000	26%
RM 150,001 – 250,000	26%
Above RM 250,000	26%

An individual is considered tax resident if he/she is in Malaysia for 182 days or more in a calendar year.

Corporate Tax

The common corporate tax rate in Malaysia is 25%. In general, corporations are taxed on income derived from Malaysia with the exception for banking, insurance, air transport or shipping sectors. Taxable income comprises all earnings derived from Malaysia, including gains or profits from dividend, interest, royalty and land trading business or other earnings.

Withholding tax

Types of taxable income	Tax rate
Interest	15%
Royalty	10%
Technical fee	10%
Rental of movable property, fee for service rendered in Malaysia and other earnings	10%

Malaysia does not levy withholding tax on dividend.

Tax incentives for SMEs

- Companies with income not exceeding RM 2,500,000 per year are considered to be SMEs and eligible for the following incentives:
 - 1) SMEs are taxed at 20% on the first RM 500,000 and at 25% on subsequent balance.
 - 2) Taxes are exempt for newly established companies in the first 5 years.

Small-scale manufacturing companies

Small-scale manufacturing companies incorporated in Malaysia with shareholders' funds not exceeding RM 500,000 and having at least 60% Malaysian equity are eligible for the following incentives:

- 1) Newly established companies are granted tax exemption of 100% for a period of five years. In addition, the accumulated loss from the business operation in the first year is eligible for tax deduction in the following year.
- 2) The investment expenditures are granted 60% tax deductions and the full deductions can be exercised for five years provided that the factories are located in a special area as set forth by the government.

A new private company formed to take over the existing company is eligible for getting tax incentives provided that the mentioned company complies with any of the following criteria:

- 1) The value added must be at least 15%.
 - 2) The project contributes towards the socio-economic development of the rural population.
- Companies with income exceeding RM 2,500,000 per year are taxes at 25%

Sales Tax / Service Rate

The two major types of consumption taxes in Malaysia are Sales tax and Service tax.

- The rate of Sales Tax ranges from 5% to 10%. (Except for food preparations with non-alcoholic compound preparations)
- The rate of Service tax is a flat rate of 5%.